EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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ADVERTISING

Brussels to launch a barrage of rules

Page 14

World News

Disputes mar first day of Berlin CSCE conference

Disputes over joint action to manage sudden crises and the separate representation of the three Baltic states marred the first day of the Conference on Security and Co-operation in Europe in Berlin. Page 18

Yeltsin's promise

Newly-elected Russian federation leader Boris Yeltsin said during his US visit that he would support President Mikhail Gorbachev so long as Gorbachev backed reform.

EC-Efta progress

Real bargaining has at last begun on two of the three issues, fish and money, that are holding up agreement on a 19-nation common economic zone involving the EC and the European Free Trade Association. Page 2

Bush defends Sununu

President Bush was forced once again to defend White House chief of staff John Sununu over his frequent personal and political trips outside Washington. Page 3

ANC, Inkatha to meet

The African National Congress and Inkatha, the rival black movement, have both agreed to attend a meeting for the first national talks involving all main protagonists aimed at ending political violence in South Africa. Page 4

Pakistan crackdown

Pakistan proposed tougher anti-terrorism laws and made hundreds of arrests following the murder of two policemen within 24 hours of a judge's assassination.

Israel-Soviet contact

Israeli defence minister Moshe Arens said he would meet a Soviet government minister at the Paris International Air Show today at Moscow's request.

Mudslide toll rises

Rescue teams dug out more bodies from beneath tonnes of mud and rubble in Chile's Pacific coast city of Antofagasta, raising the mudslide death toll to 72.

Twelve agree in a day

A strike by European Community interpreters did not prevent ministers from reaching agreement on a wide range of harmonisation measures in record time. Debate took only a single day. Page 2

Threat to AIDS talks

An international AIDS conference in Boston next year will probably be cancelled unless the US lifts a ban on foreigners infected with AIDS, the meeting's organiser said.

Poll defeat for PLO

A rare public election in the Israeli-occupied territories ended in victory for Islamic fundamentalists at the expense of Palestine Liberation Organisation supporters. Page 4

More Gandhi arrests

Two more Tamil men have been detained on charges that they were involved in the assassination of former Indian prime minister Rajiv Gandhi. Two other men and two women were held earlier.

North Korean gesture

Communist North Korea, apparently trying to improve ties with the US, will next week return the remains of 11 Americans killed in the 1950-53 Korean War.

Last soldier leaves

The last on-duty Soviet soldier departed from Hungary, ending 47 years of sometimes violent military occupation. Page 2

French taking the tablets

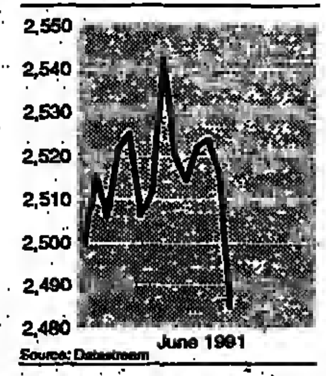
French prime minister Edith Cresson aims to persuade French people to take fewer medicines. She said France was the biggest consumer of medicines in the world.

Business Summary

Stocks fall as hopes of global rate cuts fade

Britain's stock market suffered one of the sharpest daily falls in the FT-SE 100 Index since March 27 as confidence faded over further cuts in global interest rates. The index closed down 31.3 at 2,484.7. In Tokyo the stock market lost about 2.8 per cent to fall to its lowest level since early February, after unconfirmed reports that the discount rate was unlikely to be reduced again soon. Wall Street opened with a fall of 34 points and at 2 pm the Dow Jones Industrial Average was 29.97 lower at 2,956.84. London stocks, Page 31; World stocks, Page 42; US, UK stock markets call off link-up talks, Page 19; Economic viewpoint, Page 17; Lex, Page 18

FT-SE 100 Index



Source: Datastream

GERMANY: The Bundesbank has issued another firm warning about Germany's fast-growing 1991 public sector budget deficit, which it says will now sizeably overshoot the government's target set last year. The deficit of federal, state and regional governments will total DM150bn-DM170bn ($82bn-$93bn) this year. Page 18

US: Federal rescue of the savings and loan industry may require a further $60bn to $80bn in the coming year, in addition to $80bn already approved by Congress to cover losses and closures since mid-1989. Page 18

JAPAN continues to lead the world in the competitiveness of its business climate, according to the International Institute for Management Development and the World Economic Forum. Page 18

BANCA NAZIONALE del Lavoro: A number of leading international banks have frozen or withdrawn their credit and trading lines with the state-owned Italian bank, as a protest over the events surrounding the collapse of Federconsorzi, the farm services consortium. Page 19

COLUMBIA Gas System, one of the largest natural gas transmission businesses in the US, said it could face losses of more than $1bn because of adverse gas price movements and threatened to file for Chapter 11 bankruptcy unless it could renegotiate both its loss-making supply deals and bank credit lines. Page 19

BRIDGESTONE, Japanese tyre-maker, announced plans for restructuring its loss-making US subsidiary, Bridgestone/Firestone, which has been losing money since Bridgestone bought Firestone Tire and Rubber three years ago. Page 23

JANOME SEWING Machine, the Japanese sewing machine maker entangled in financial scandal, said that it was to attempt to improve a troubled financial outlook by jointly developing industrial machinery including robots. Page 23

TNT, troubled Australian transport group, confirmed the sale of 17.5m shares in Foster's Brewing Group for A$27m (US$20m), but denied that the disposal was part of a programme to cut debt. Page 23

PROCTER AND GAMBLE, US household goods corporation, has taken 100 per cent control of the detergent company Rakovnik in the first big Czech privatisation deal involving a US company. Page 6

Finance ministers to meet on dollar and aid to Moscow

By Peter Norman, Economics Correspondent, in London

FINANCE ministers and central bank governors from the Group of Seven leading industrial countries meet in London on Sunday to discuss whether to cap the dollar's recent rise and whether or not to provide large-scale financial support for the Soviet Union.

The talks were announced yesterday by the UK Treasury after days of negotiation on the time and a venue for a G7 ministerial meeting ahead of the London economic summit next month.

A UK Treasury official said the meeting was "a useful opportunity" for the G7, which comprises the US, Japan, Germany, France, Britain, Italy and Canada, "to discuss world economic and financial developments since their last meeting in April". He gave no further details.

However, the US said yesterday that it would want to discuss lowering interest rates to promote growth at the London summit, suggesting that this would be on its agenda for Sunday. It is understood that France, Japan and also the German Bundesbank would favour concerted G7 action to curb the dollar following its recent sharp rise against the currencies of the US's major trading partners.

Fears of such action pushed the dollar down against most leading currencies in London trading yesterday. It fell against the D-Mark to DM1.79 in London last night from DM1.8135 on Tuesday after hitting a 19-month high of DM1.8235 in Tokyo yesterday.

Earlier this week, Mr Pierre Bérégovoy, the French finance minister, called on the G7 to stabilise exchange rates to create conditions for interest rates to fall. Although he said he was comfortable with the dollar's current levels, he warned that a significant further rise risked destabilising the world economy.

In Germany, thera were signs yesterday that the Bundesbank might be willing to consider currency intervention. Some officials expressed concern at the way the dollar has risen from its record trading low of DM1.443 in February.

The Japanese finance minister, Mr Ryutaro Hashimoto, is also thought to favour a more stable dollar in the hope that this would create the opportunity for an interest rate cut. Fears that the Bank of Japan might not be able to cut rates pushed down Japanese equity prices yesterday, with the Nikkei average falling by 688.72 points through the 24,000 level to 23,996.75.

Mr Hashimoto has been the prime mover behind the Sunday meeting. According to analysts, tha Japanese finance minister helisves it could enhance his political profile at home.

Some analysts suggested yesterday that Mr Nicholas Brady, the US Treasury secretary, would support action to cap the dollar if it helped prevent German interest rates rising and prompted other countries to lower their rates. However, Mr Alan Greenspan, the chairman of the US Federal Reserve, is thought to favour a strong dollar for counter inflation reasons.

On the Soviet issue, nearly all G7 finance ministers oppose large scale financial assistance

Continued on Page 18

Japan continues to outstrip the rest of the world in the competitiveness of its business climate, according to the annual World Competitiveness Report of the International Institute for Management Development and the World Economic Forum.

The 1991 edition ranks Japan top for the sixth consecutive year, well ahead of the US, Germany and Switzerland, which in turn have a comfortable lead on the rest. Page 18

UK foreign secretary Douglas Hurd, top, and US secretary of state James Baker in Berlin for the CSCE meeting, the first day of which was marred by disputes. Page 18

France to suspend Thomson support

By Andrew Hill in Brussels and George Graham in Paris

FRANCE HAS told the European Commission it will suspend plans to inject nearly FFr2bn ($320m) of capital into Thomson, the loss-making consumer and defence electronics group.

The move follows a warning by Sir Leon Brittan, the EC competition commissioner, to Mrs Edith Cresson, the French prime minister, that Brussels might outlaw the funds on the grounds that they could constitute illegal state aid.

Officials said Sir Leon still planned to investigate France's proposed injection of FFr4bn of new capital and research funds into Bull, the troubled state computer company.

There would, however, be a delay of "a few weeks", apperently to avoid embarrassment for the French government at a sensitiva stage of talks between Bull and NEC, the Japanese electronics group which may take a stake in the computer group.

In a carefully worded statement on the Thomson case, the Commission said the French authorities had "decided to carry out an examination of the situation of the French electronics industry as a whole", following meetings on Friday between Sir Leon, Mrs Cresson and Mr Dominique Strauss-Kahn, the French industry minister.

It added that the French government had made "a firm commitment" not to go ahead with the proposed financial support for Thomson, and had promised that Brussels would be told of any new proposal in time for the Commission to examine its compatibility with tha state aid rules.

Paris is, however, firmly maintaining the government's right to provide fresh capital for public sector companies. French officials said last night there was no question of renouncing government policies for the electronics industry, but that the government was studying the entire sector.

The Bull/Thomson case goes to the heart of differences between Brussels free-marketeers, like Sir Leon, and the new French prime minister, who has called for a strong EC industrial policy to support the electronics sector.

But in the last few weeks, confronted by the reality of problems in the French electronics sector, Mrs Cresson has been forced to depart from her firm line, for example over s link between Bull and NEC. Mrs Cresson, whose arrival as prime minister had thrown the talks into limbo, allowed Bull to relaunch negotiations with NEC last week.

French electronics companies have been rushing to sign up foreign partners to help them out of their difficulties. Mr Carlo de Benedetti's Olivetti group is expected to reply on Friday to the French government's invitation to rescue micro-computer maker SMT-Goupil, which filed for bankruptcy this week.

Thomson, meanwhile, has been urging a merger of its semiconductor division SGS-Thomson, with the microchip units of Siemens and Philips.

The French government will have paid FFr25bn to the electronics sector over the past three years, if the FFr6bn promised to Bull and Thomson in April is included. So far, neither capital injection has taken place.

European Community ministers have given added impetus to the 1992 internal market programme by reaching agreement on a wide range of harmonisation measures covering everything from weapons and lifting-machinery to passenger baggage and insurance company accounts. Page 2

ICI will attack Hanson in US over profits disclosure

By Roland Rudd and Robert Peston in London

IMPERIAL Chemical Industries hopes to persuade the US Securities and Exchange Commission to force Hanson to disclose how much of its profits are made from non-trading activities.

In ICI's first major public attack since Hanson took a 2.8 per cent stake in it, advisers to Britain's biggest manufacturing company say its lawyers are planning in tha coming fortnight to lodge a complaint with the SEC.

ICI will claim that the UK-based industrial conglomerate has not disclosed financial material relevant to its US shareholders.

It believes a significant proportion of Hanson's post-tax profits are not generated by the main operating companies but come from other sources, such as placing cash deposits where they will attract tha highest interest rates and most favourable tax treatment.

"Up to 50 per cent of its profits may not come from trading," one ICI adviser said.

Mr Derek Bonham, Hanson's finance director, denied this. He accepted that significant profits came from the group's traditional habit of borrowing in the US and placing funds on deposit elsewhere, including low tax rate jurisdictions.

But he said that more than £1bn ($1.6bn at current rates) of Hanson's £1.3bn in 1989-90 pre-tax profits came from the main trading companies and this "beat tha socks off the performance of ICI".

Mr Bonham said he was more than happy to compare ICI's record with Hanson's on a like-for-like basis.

The SEC would not comment yesterday on this particular case but it said it usually investigated claims of inadequate disclosure where they involved significant numbers of US shareholders.

Lord Hanson is convinced that ICI's complaints over his company's accounting practices will back-fire, according to advisers. He believes ICI itself has failed in its duty to shareholders to minimise its tax charge.

However, he intands to speak to Hanson's major institutional shareholders in the next few months explaining the group's accounting procedure in more detail.

Hanson, which has contacted key fund managers with shareholdings in ICI, also claims that many of them are unhappy with the steps that ICI is taking to make itself less vulnerable to takeover.

Nonetheless, ICI believes it can expose significant weaknesses in Hanson's tax procedures in the US and Britain.

Lord Hanson, speaking yesterday on BBC Television, said: "We said from the beginning that our interest as a significant but not aggressive shareholder was to be helpful, not hostile, and that attitude has not changed."

He was careful not to rule out a takeover bid since that would prevent him from making an offer for up to a year under the UK Takeover Code.

ICI's R&D record, Page 13
Henderson warning, Page 28

Lloyd's set to abandon principle of unlimited liability

By Richard Lapper in London

LLOYD'S, the leading London-based internatiooal insurance market, is preparing to abandon its most cherished principle of unlimited liability, according to influential figures operating in the market.

The idea that Names, the wealthy individuals who back underwriting with their own personal wealth, are liable for insurance losses – if necessary down to their shirts – has been a feature of the market for more than 300 years and has underpinned the security of policies sold by Lloyd's.

The change would be part of a far-reaching reform of Lloyd's, designed to restore the fortunes and reputation of a market badly hit by heavy losses and a growing crisis of confidence. This week Lloyd's has been stung by political controversy following its unsuccessful bid for tax relief on multi-million pound losses by Names.

Support for radical solutions is surprisingly wide-ranging among the market's 220 traditionally conservative agencies, which organise Names' underwriting affairs and manage syndicates.

Mr John Prentice, chairman of the Wellington Underwriting Agency, which manages a number of blue-chip syndicates, says "there is a strong body of opinion that unlimited liability is dead".

Mr Nigel Rogers, managing director of Octavian Group, a rapidly growing agency, adds: "People are prepared to consider doing what they wouldn't have contemplated six weeks ago, let alone six months ago. There are no sacred cows anymore."

Lloyd's can only stabilise its capital base if it is able to reduce the risks faced by potential investors, other leading figures believe.

As many as 5,000 of 26,500 Names could leave Lloyd's this year and the market's capacity – which governs the amount of insurance its 350 syndicates can write – is likely to shrink next year. Next week's announcement of Lloyd's first losses for over 20 years together with the expectation of further losses in 1989 and 1990 (whose results, under Lloyd's three-year accounting system, will be announced in 1992 and 1993) will increase disillusionment among Names.

US court action, Page 3
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CONTENTS

Israel resists Washington's linking of aid to peace moves

US officials are hinting ever more strongly that Israeli requests for $10bn worth of loans will be linked to restricting settlements in the occupied territories. How much will Yitzhak Shamir be prepared to compromise? Page 16

MARKETS

STERLING
New York lunchtime: $1.636
London: $1.6325 (1.6125)
DM2.92 (2.925)
FFr9.94 (9.9325)
SFr2.51 (2.5175)
Y228.5 (227)
£ Index 89.6 (89.5)

GOLD
New York: Comex Aug $371.1 (370.9)
London: $367.5 (369.35)

N SEA OIL (Argus)
Brent Aug $18.2(-0.15)

Chief price changes yesterday: Page 23

DOLLAR
New York lunchtime: DM1.78895
FFr6.0885
SFr1.537
Y139.9
London: DM1.79 (1.8135)
FFr6.09 (6.16)
SFr1.5385 (1.5615)
Y140.05 (140.8)
$ Index 68 (68.5)
Tokyo close: 141.1

US lunchtime rates
Fed Funds 5¾%
3-mo Treasury Bills: yield: 5.74%
Long Bond: 95$\frac{11}{32}$
yield: 8.52%

STOCK INDICES
FT-SE 100: 2,484.7 (-31.3)
FT Ordinary: 1,948.3 (-23.6)
FT-A All-Share: 1,194.88 (-1.1%)
New York: lunchtime
DJ Ind. Av. 2,956.84 (-29.97)
S&P Comp 375.84 (-3.24)
Tokyo: Nikkei 23,996.75 (-688.72)

LONDON MONEY
3-month interbank: 11$\frac{7}{32}$ (11$\frac{7}{32}$)
Liffe long gilt future: Sep89$\frac{11}{32}$ (89$\frac{11}{32}$)

EUROPEAN NEWS

Efta and EC progress on fish and cash

By David Buchan in Brussels

REAL bargaining has at last begun on two of the three issnes – fish and money – that are holding up agreement on a 19-nation common economic zone involving the EC and the European Free Trade Association (Efta).

But yesterday's claim by the chief negotiating ministers for the EC and Efta thet they had reached "a global political agreement" on all outstanding issues was widely discounted as wildly premature. It appeared, rather, to reflect simple relief at the ending, in the small hours of yesterday morning, of marathon talks in Luxembourg between the 19 ministers.

Mr Jacqnes Poos, foreign minister of Luxembourg which holds the EC presidency, said he hoped the European Economic Area (EEA) accord could be "initialled" by Angust 1, not, as once was hoped, at the Efta ministers' meeting in Salzbnrg next Monday.

But the EC has linked its signature of an overall deal to the resolntion of a third issue – batter EC transit rights across Austria and Switzerland. Some EC diplomats yesterday forecast that, despite further talks this week on how to reduce the pollntion and noise of transiting EC trucks, Austria might not be able to conclude a deal until after its local elections in October.

The EC and Efta are now near agreement on such tricky issues as free movement of workers into Switzerland. The key remaining sticking points concern the demands of southern EC states, especially Spain, for access to Icelandic and Norwegian fishing waters, and for Efta economic aid, in return for letting the relatively rich and industrially-competitive Efta share in an extended single market.

■ Fish: Iceland still refuses to let more EC trawlers into its fishing grounds, on which its economy is 80 per cent dependent. But Norway has proposed that Spain and Portugal take the share of Britain, Germany and France in its northern fishing around Svalbard, with the latter EC trio getting compensation in the form of slightly greater access to more southerly Norwegian waters.

This could, depending on the growth of fish stocks, see the EC catching an extra 20,000 tonnes a year in Norwegian waters by 1997, according to one calculation. Spain, which has been demanding 30,000 tonnes of Efta fish, said this had the makings of "a possible compromise".

■ Money: Recognising that it may be easy to pay Madrid off in cash rather than cod, Efta is now offering Ecn750m ($862.50m) to Ecu1bn in soft loans to help Ireland, Portugal, Greece and the most backward regions of Spain. The gap is still large, becanse Madrid says Efta should provide more than Ecu1bn each year in grants, not loans.

"But at least the bargaining has started", said one EC diplomat.

Iceland 'set to go on recovering'

By Ian Davidson in Paris

AFTER two years' recession, Iceland's recovery is likely to gather momentum, while inflation should stabilisa at less than 10 per cent, the Organisation for Economic Co-operation and Development says.

The economy bottomed out with zero growth last year after declines in 1988 and 1989, and this year the OECD forecasts a growth rate of 1 per cent, followed by 3.7 per cent in 1992. Unemployment, was driven np to 1.7 per cent. One result was a moderate wage accord between unions and employers, helping to cut inflation to 7.3 per cent in 1990.

Tha OECD suggests the recession and the deflation may have marked a watershed in Iceland's economic policy. "Historically, macro-economic policy has been geared to maintaining high employment, and consequently has tended to be inflationary: over the two decades from 1970 to 1989, inflation averaged 32 per cent per annum." Emphasis had recently been shifting from maintaining high employment to controlling inflation, stabilising the external value of the krona, and reducing reliance on foreign borrowing.

Twelve pass raft of measures

By Andrew Hill in Brussels

EUROPEAN Community ministers have given added impetus to the 1992 internal market programme by reaching agreement on a wide range of harmonisation measures covering everything from weapons and lifting machinery to passenger baggage and insurance company accounts.

Sir Leon Brittan, the commissioner for competition and financial services, praised the ministers for their work after Tuesday's meeting – which finished in a single day despite the absence of EC interpreters, who were on strike.

Ministers adopted a directive which will harmonise rules on the sale and possession of firearms. In future, member states will have to keep tabs on tha character and professional reliability of gunsmiths.

Agreement was also reached in principle on legislation which would harmonise the appeals procedures for companies tendering for public contracts in the utility and transport sectors.

Member states also agreed on measures to bring insurance companies' accounts into line, and to lift customs and fiscal checks on baggage on internal flights and sailings.

Observer, Page 16

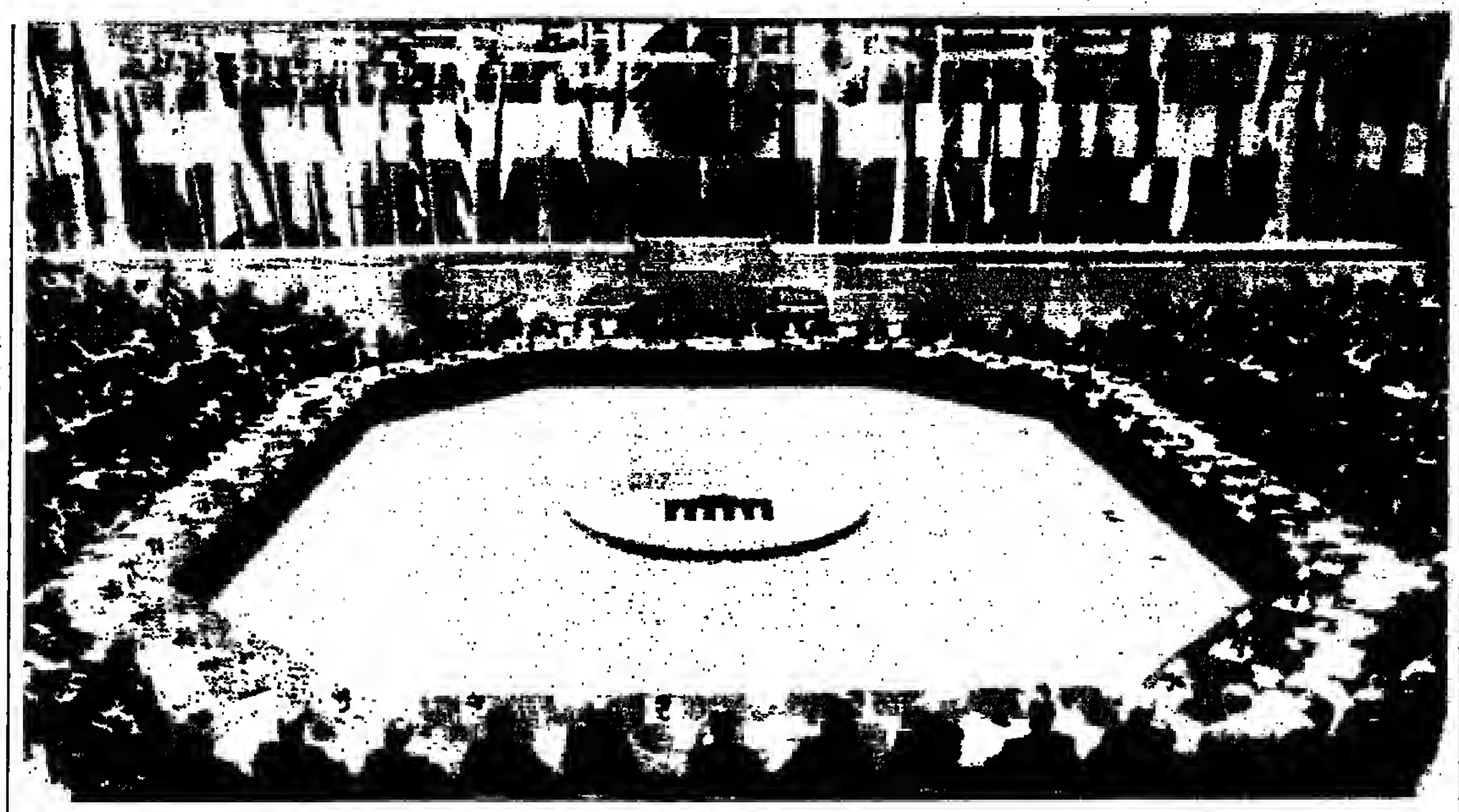
EC publishers plan study

EUROPE'S largest pnblishers are commissioning a study of the effects of proposed European Community legislation on the advertising revenues and economics of the press, writes Raymond Snoddy.

The study, to be carried out by consultants Touche Ross, is part of a campaign by the European Publishers Council against draft EC directives on food, pharmaceutical and alcohol advertising.

The publishers say that if the EC directivas are implemented there could be an eventual drop of 10 per cent in media advertising across Europe and weaker newspapers and magazines could close. The study will look at numhers employed by the press and the businesses of subscribers across Europe.

At a meeting earlier this week publishers also decided to hold, with the European Association of Advertising Agencies, a competition to find the most creative way of communicating by advertising the importance of free commercial expression.



Foreign ministers and delegates listen to a speech by Chancellor Helmut Kohl at the start of the CSCE meeting in Berlin's Reichstag

Soviet hawkers sell off empire's army gear

By Leslie Colitt in Berlin

EVIDENCE of the biggest prohlem the Conference on Security and Co-operation in Europe (CSCE) is likely to face, the hreak-up of the Soviet Union, was on display yesterday during the foreign ministers' meeting in Berlin.

A group of young Soviet citizens stood near the Brandenburg Gate, less than 500 metres from the conference in the former Reichstag, hawking wares from brown suitcases. They were among a growing number of Soviet citizens allowed to visit the west on the invitation of relatives, friends and acquaintances. Few of them were aware the conference was taking place.

The young Russians, Ukrainians, Belorussians and Azerbaijanis were selling-off remnants of the once-mighty Soviet empire to curious westerners. Soviet army, navy and air force caps were on display, along with hammer and sickle belt-buckles, rifle sights and military decorations spanning the Second World War to the Afghanistan conflict.

Only recently such souvenirs were being sold in the streets of Berlin, Prague, Budapest and Warsaw by local residents who bought them from Soviet officers. Now Soviet citizens were getting a piece of the action.

One young Azerhaijani, a mining engineer from Baku, said he had earned more in two days by selling Soviet memorabilia in Berlin than in a year at home. But the hawkers also brought some political baggage with them. The Azerbaijani accused Moscow of backing Armenia with weapons in its conflict with Azerbaijan. "Why are they holding this conference?" he asked. "We would like security and independence but Gorbachev won't allow it. Azerbaijan is rich with oil but all the monay goes to Moscow."

He also complained that Americans of Armenian descent were supporting Armenia's claims to Azerbaijani territory. In front of the sprawling Soviet embassy nearby, a group of Armenians demonstrated peacefully against the Soviet Union, accusing Moscow of "state terror" against Armenians.

Bonn favoured in 'marathon' against Berlin

David Marsh reports on today's Bundestag vote on the German seat of government

A NARROW majority to maintain Bonn as united Germany's seat of government appears likely in today's Bundestag vote. But, as backers of Bonn and its rival Berlin stepped np last-minute lobbying yesterday, surprises could not be ruled out. With more than 100 speeches scheduled, the occasion is likely to test depnties' stamina as well as their sense of history.

Sensing that support for Berlin might be slipping, Mr Eberhard Diepgen, the mayor of the now-united city, held talks in Bonn with Chancellor Helmut Kohl to try to persuade him to renew his backing for a switch to the Spree.

In a largely tactical move two months ago, Mr Kohl said he favoured shifting the government to Berlin during the next 10 to 15 years. Since then, he has remained silent on the issue. The feeling has grown that Mr Kohl – who hails from the Rhineland-Palatinate – would much prefer to remain in the Rhineside town of Bonn.

Deputies may have to vote on three or four motions today, under a complex decision-making procedure which senior politicians desperately hope will not lead to an impasse.

Whatever the outcome of the Bundestag marathon, Germany will remain a federal state with the most important organs of the constitution spread around the country. The pro-Berlin motion foresees the government, Bundestag, and federal presidency moving to Berlin with the Bundesrat (federal chamber or upper house) staying on the Rhine.

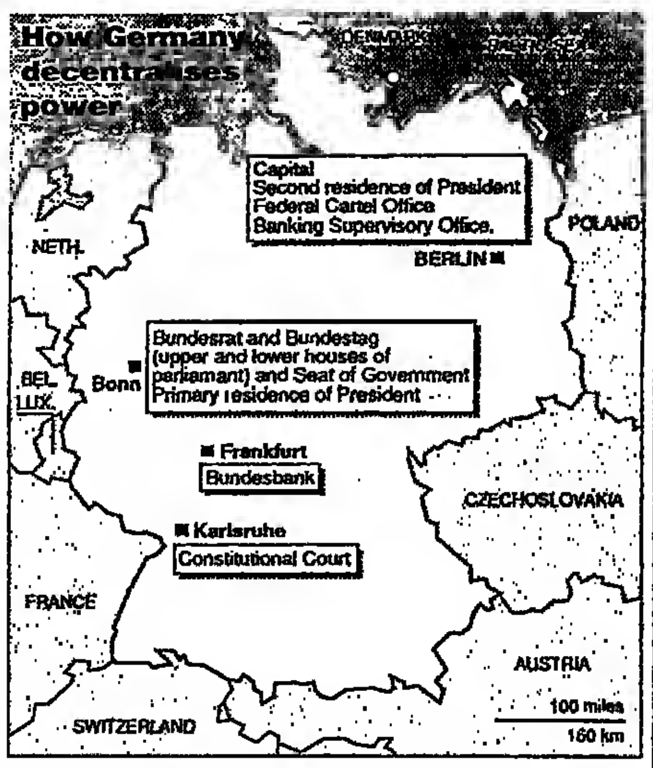
Under the alternative plan to maintain the status qno, the Bundestag and government would remain in Bonn, while the president's office and the Bundesrat would go to Berlin.

West Germany's post-war constitution, geared to the Second World War victors' aim of preventing renewed concentration of power, laid down the geographical dispersal of important parts of the country's exectitive apparatus. Under a trend followed thronghout the 1950s and 1960s, the constitutional court was established in Karlsruhe, the Bundesbank in Frankfurt, and the Cartel Office in Berlin. Influential sections of the German army apparatus were spread around the country.

Mr Wolfgang Kartte, the president of the Cartel Office, is himself a Berliner who is pleased the city will now play a stronger role in German life. But he likes to quip that, if parliament decides to send the government to Berlin, the Cartel Office will emigrate to the Rhine.

In similar vein, Mr Karl Otto Pöhl, the president of the Bundesbank, has already made sure that the central bank would not – as previously foreseen – be exported to Berlin in the event of the government setting up there.

Whatever happens today, the Bundeshank's headqnarters will stay firmly in Frankfurt – well away from the government.



French MPs urge fresh initiative on EMU talks

By Ian Davidson

EUROPEAN Commnnity negotiations on economic and monetary union (Emu) are running into difficulties and need a fresh initiative at naxt week's European summit in Luxembourg, a French parliamentary committee claims.

The all-party group has called on the French government to propose a variable-speed calendar for Emu, to reconcile tha divergent circumstances of member states and overcome the reticence of Germany and Britain.

The committee is worried the negotiations are becoming bogged down by the German and British attitude and feel that if talks are not given new impetus they could peter out into little more than a strengthening of a de facto D-Mark zone.

The gronp insists there should be no stretching of the timetable laid down in the original report of the Delors Committee, which recommended that phase two of the three-phase EMU process should start on January 1 1994.

But it argues that member states with weaker economies, higher inflation and larger public sector deficits should be allowed to join the process at a slower pace than the hard-currency countries.

For political reasons, the committee hopes the central core of EMU members would include Italy – if it can reform its public finances in time – and Britain.

R&D projects target E Europe

By Ronald van de Krol in The Hague

THE Eureka programme for pan-European research and development marked the start of its sixth year yesterday by launching 121 projects and promising to make it easier for east European companies to participate.

The projects, announced at a Eureka ministerial meeting in The Hague, bring the total of Eureka projects to 470 and raise the research spending devoted to the programme to Ecu8.2bn (£5.7bn).

The latest projects include a plan for preventing poultry infections, an idea for developing a traffic navigation system for buses and new technology for re-using plastic packaging.

In a report on Eureka's first five years, Mr Wisse Dekker, the supervisory board chairman of Philips, the Dutch electronics group, praised the programme for its market-oriented, non-bureancratic approach.

But he and a panel of experts called on Eureka to encourage greater participation by small and medium-sized companies, which represent only 27 per cent of participants.

Mr Dekker also said that decisions on funding in Eureka's 19 membar states should be better synchronised to avoid delaya in pursuing new technologies.

Mr Koos Andriessen, the Dntch minister of economic affairs who chaired the Eureka meeting, said central and east European countries would "eventually" be allowed to become full members.

In the meantime, Eureka will open its project data base to east European companies and research institutes, and help seek out potential partners in the former east bloc.

However, Eureka officials stressed that, like other participants, east European companies and institutes would have to finance research out of their own resources or with the help of their governments. The Eureka project, which takes a "bottom-up" approach to new technology, does not allow for cross-border flows of research grants. Currently, of the 2,800 companies and institntes involved in Eureka, only 20 come from central and east Europe.

Eureka was launched in late 1985 to promote research between European companies and to help them compete with Japan and the US.

Malta optimistic on EC membership

By David Gardner in Brussels

MALTA expects to become a member of the European Commnnity when membership is next enlarged, after 1993, according to Mr Eddie Fenech-Adami, Malta's prime minister.

He was speaking after talks with Mr Jacques Santer, premier of Luxembourg, which currently holds the EC presidency, and ahead of scheduled talks next month with Mr Jacques Delors, president of the European Commission.

Malta has had an association agreement with the EC since October 1970, and applied for membership in July last year.

Mr Fenech-Adami's governing Nationalist party has, since February, been an associate member of the European People's party, a federation of EC Christian Democrats – who field six out of 12 heads of government in the EC and could be powerful allies in pressing Malta's case.

The Maltese leader has been invited to the pre-European summit caucus meeting the Christian Democrat leaders are holding on Friday in Luxembourg.

Mr Fenech-Adami said it was his "impression that at the next enlargement, Malta will be taken in".

The country already sends 76 per cent of its exports to the EC.

Soviet troops leave Hungary

The last on-duty Soviet soldier departed from Hungary yesterday, ending 47 years of sometimes violent military occupation and leaving behind claims and counter-claims for damages and compensation, writes Nicholas Denton in Budapest and Ariane Genillard in Modra, Slovakia.

In neighbouring Czechoslovakia, too, the last Soviet soldiers to remain in the country since the 1968 Soviet invasion were preparing last night to leave the Red Army's headquarters in Milovice near Prague.

"This is the first time since 1944 that there are no foreign troops on Hungarian soil," said Mr Gyula Kodolanyi, foreign policy adviser to Mr Jozsef Antall, the Hungarian prime minister.

"But we would be very unwise if we thought that the Soviet Union is not going to remain a very important influence in this region."

Hungary, said another adviser, would press for an immediate decision on the complete winding-up of the Warsaw Pact at the forthcoming meeting of the organisation's political consultative committee.

A Hnngarian survey has found unexpectedly serious environmental damage at Soviet bases which, it is understood, has raised Budapest's claim to nearly Ft79bn ($1.1bn). Moscow has accused Budapest of unjustified claims.

The compensation owed by the Soviets to Czechoslovakia has to be agreed. This could reach between 4bn Czech crowns ($133m) and 5bn, according to Mr Vojtech Wagner, the deputy foreign minister.

Soviet fleet may use Gibraltar

Part of the Soviet fishing fleet plans to use Gibraltar as its operating base, with at least 1,500 ship calls annually, writes Joe Garcia in Gibraltar.

A Soviet delegation has been holding talks in Gibraltar with Mr Joe Bossano, chief minister, who has welcomed the move.

EBRD auditor

DRT international, the international accountancy firm, has been appointed as auditor to the European Bank for Reconstruction and Development, writes David Waller.

Ukraine's champion threatens hopes for a new union treaty

A scathing Kravchuk is charting a course which would involve closer links with the west, Chrystia Freeland reports

PRESIDENT Mikhail Gorbschev's hopes for speedy implementation of a new union treaty between Moscow and the republics of the Soviet Union could he threatened by resistance from the increasingly independent-minded Ukraine.

Mr Leonid Kravchuk, the communist chairman of the Ukrainian Supreme Soviet, claims his hands are tied by pledges given to students and striking coal miners that the Ukraina, whose 52m inhabitants account for about 25 per cent of total Soviet GDP, will not sign such a treaty until sovereignty has been enshrined in a new Ukrainian constitution. That will take until the year-end at least.

Even as Kremlin spokesmen assert the treaty will be rapidly concluded, Mr Kravchuk, who now speaks only Ukrainian on public occasions and has carefully created a pro-nationalist aura, blandly states "there is still no conceptual agreement." He offers the politically incendiary suggestion that various republics might sign the document at different times, perhaps even enter into different types of agreements.

Though he admits he was often ontnumbered in the recent treaty negotiations, Mr Kravchuk, a peasant's son from the highly nationalistic western Ukraine, seems unperturbed. In an interview with the Financial Times, he argued that the Ukraine, with its extensive indnstrial, mining and agricultural base, has a uniqne bargaining position. "Russia is a federation and has complications with its internal republics. We do not. Republics like Kazakhstan and Uzbekistan have raw material-based economies, and their problem is subsidies. This problem does not exist for us."

Mr Kravchuk supports Mr Boris Yeltsin, the victor of last week's direct elections to the Russian Presidency, in his insistence that each republic should make a single contribution to the central treasury, rather than ceda Moscow the power directly to tax individuals, businesses and property.

In its current varsion, the treaty calls for direct central government taxation. Mr Kravchuk says that unless this clause is changed, he will urge the Ukrainian parliament to opposa tha documents as a whole. At last Monday's meeting between nine republics and President Gorbachav, the Ukraine initialled the draft treaty, simply so it could be passed to its parliament for discussion; there was no commitment to sign it at the end of the day.

Another sticking point for the Ukrainians is property ownership.

Earlier this month, the Ukrainian parliament passed a law asserting the republic's jurisdiction over all land, resources and buildings on its territory. Mr Kravchuk wants to go further, saying everything must become the actual property of the republic. This should take place "immediately, before the signing of the union treaty, otherwise we will not sign it."

A plan to introduce a parallel currency, by printing a special Ukrainian stamp on Soviet roubles, is another expression of the Ukraine's effort to assert its economic sovereignty. Mr Kravchuk descrihes the scheme as "about 50 per cent of the way towards the introduction of a separate Ukrainian currency".

Government support for a separate currency was underlined last week when Mr Volodomyr Matvienko, an ardent proponent of the idea, was named head of the newly-formed Ukrainian National bank. At the same time, the Ukraine's desire for closer links with the west has also been underlined by the creation of new council of foreign advisers to advise on privatisation, hanking, taxation and constitutional law.

Among the 10-person group of politicians, financiers and academics is Mr George Soros, the Hungarian-American millionaire, who also helped set up a new Kiev-based Ukrainian-American foundation called the "Renaissance Fund".

As he charts an independent economic course for his republic, Mr Kravchuk is scathing in his assessment of Moscow's economic policies. Asked about the all-union anti-crisis plan, Mr Kravchuk replied: "I do not even have a critique of what is being done (at the all-union level) because, in reality, nothing is being done. There is nothing to criticise."

Given these douhts, Mr Kravchuk insists any western aid should be clearly apportioned among republics. In contrast with past policies of the Kremlin, he would invest foreign credits in new technology rather than food and consumer goods. Mr Kravchuk, former ideology secretary of the Ukrainian Communist Party, who once spearheaded the battle against Rukh, the Ukrainian mass democratic movement, has emerged as a Ukrainian patriot.

His apparent desire to go down in the history books as the father of the Ukrainian nation is now being gently reinforced by some opposition leaders. When he visited Lvov, capital of the fiercely national western Ukraine this spring, ha was presented with a *bulava*, traditional regalia of the Hetman, the title used by leaders of the historic Ukrainian Cossack states.

Not everyone in the Ukraine is ready to hail Mr Kravchuk as hetman, however. More radical members of the opposition fear he stands for a sovereign, but not necessarily democratic and free-market, Ukraine. He has also come under fire from hard-line communist deputies. They would like to sign the Union Treaty this summer and regularly vote against the government's proposals in parliament, where their party controls a majority of the seats.

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Fed sees modest boost in US economic conditions

By Peter Riddell, US Editor, in Washington

ECONOMIC conditions appear to be improving modestly in much of the US, according to the Federal Reserve's regular survey of business conditions. But a slowdown in export growth is being increasingly reported.

The Fed's Beige Book survey points to the start of a turnround in the US economy and ties in with the recent cautiously optimistic comments of both senior administration officials and Fed policymakers.

Mr Michael Boskin, chairman of the president's council of economic advisers, said yesterday that the administration saw no reason to make major changes in its February forecast that the economy would grow at an annual rate of 2-3 per cent in the second half of this year. That was still the "best judgment" of where the economy was heading.

He was speaking as Commerce Dapartment figures showed a slight widening in the US's merchandise trade deficit in April, to $4.78bn from $4.07bn in March, though the underlying trend remains very favourable.

While exports continued to grow steadily in April, imports picked up sharply from the lower levels of the previous two months as US purchases of industrial supplies and materials rose by about $900m. This could tie in with the turnround in economic activity.

No change: Michael Boskin

In the first four months of this year the deficit totalled $21.7bn, compared with $33.8bn at the same stage of 1990, and recent monthly figures have been half the average for the second half of last year.

While the administration is still looking to exports to help the overall recovery, the Fed's survey notes that several of its districts report weaker foreign demand for some manufactured goods.

In general, the survey says that manufacturing is gaining strength in some regions and industries. The consumer spending picture is patchy, since, while there are no reports of substantial improvement, the overall situation is somewhat brighter than in the last survey published on May 1.

The report of modest improvement in economic conditions reported now, constrasts with the more cautious view in the last survey that there were some indications that the decline may be bottoming out.

Bank lending continues to be weak in many areas, in spite of a pick-up in demand for home mortgage loans. Mr Boskin said in his congressional testimony yesterday that his biggest concern was whether there would be enough available credit to finance a robust recovery.

This view was underlined by Congressman Jake Pickle, a veteran Democrat from Austin, Texas, who said: "It takes a sheriff's posse and a pack of bloodhounds to find a bank that will give you a loan."

Samuel Skinner, US transportation secretary, in England yesterday in the Grumman Avenger Torpedo Bomber flown by President George Bush during the second world war

Blow to Cavallo on economic reforms

By John Barham in Buenos Aires

MR Domingo Cavallo, Argentina's economy minister, suffered his first big political setback yesterday after failing to win congressional approval for a deeply unpopular economic reform bill.

The opposition Radical party decided late on Tuesday night to block debate on government plans to stagger payment of a wage bonus normally paid in June and December. The ruling Peronist party holds 120 seats in Congress, eight seats short of a quorum, forcing it to negotiate all sensitive proposals with the opposition.

Yesterday, a crestfallen Mr Cavallo ordered that the bonus, first introduced by President Juan Perón in 1946, be paid as normal. But officials say a new bill will be submitted to Congress staggering the December bonus.

Mr Cavallo introduced the original bill in May, arguing that the bonus would feed inflation by injecting added demsnd into the economy, although most independent analysts say the principal motive behind the move was lack of funds. Inflation fell sharply to 2.8 per cent in May, but now remains stuck at 3 per cent, far bigber than Mr Cavallo had planned.

The defeat could make it more difficult for Mr Cavallo to win spproval for bills reforming labour relations, consolidating the public debt and regulating privatised utilities, all of which are highly controversial. Attention in Congress is now concentrated oo crucial mid-term elections due in October.

Venezuela drug movements increase

By Joe Mann in Caracas

THE movement of Colombian cocaine through Venezuelan territory has increased sharply this year, raising concern over the penetration of Venezuela's political system and security forces by international narcotics dealers.

During the first five months of this year, the Venezuelan authorities seized over 5 metric tonnes of cocaine on Venezuelan soil, according to figures published in the Venezuelan press. This represents an increase of 39 per cent in comparison with all the cocaine reportedly imponnded last year.

The police assume that they are able to confiscate only a small percentage of the cocaine actually being moved through Venezuelan territory.

Seizures of cocaine sent through Venezuela to the US and Europe also seem to be on the rise.

The anthorities in Sweden recently fonnd 150 kilos of cocaine hidden in two barrels of Venezuelan asphalt, while police at Vienna airport discovered 4.5 kilos of cocaine, supposedly picked np in Venezuela, stashed in an accordion that was carried by a Spanish citizen.

An important Venezuelan political figure was arrested last weekend in Caracas under suspicion of being involved in a network that distributed cocaine to European and US cities hy using youths from from well-to-do Venezuelan families as "mules" (carriers).

Mr Adolfo Ramirez Torres, who is still in custody, served as Governor of Caracas and Vice-Minister of the Interior, one of the country's most sensitive security posts, under the previous government.

After Mr Ramirez' arrest, the ruling government party, Democratic Action, expelled him from its ranks.

Venezuela has a common border with Colombia, the world's largest cocaine exporter, and travel between the two South American countries is difficult to control.

Colombian narcotics traffickers often use Venezuela as a transit point for shipments of cocaine to the US and Europe. Cocaine use is also a problem in Venezuela, where the drug is available on the street for around $10-$20 a gram.

● The Venezuelan government is to provide loans of up to $35m (£21.3m) to Costa Rica for a programme of public works and other projects.

The new credits were announced on Tuesday as Mr Rafael Calderon Fournier, the president of Costa Rica, concluded an official visit to Venezuela.

Venezuela also agreed to supply Costa Rica with 16,000 barrels per day of refined petroleum products, instead of supplying crude oil, until the Central American country can repair damages to its oil refinery caused by a recent earthquake.

The refined products will be supplied under preferential terms similar to those of the San Jose Accord.

Chile death toll at 72

RESCUE teams in Antofagasta have dug out another four bodies from under tonnes of mud and rubble that has swept away hillside slums of this Pacific coast city, raising the death toll to 72, officials said yesterday, Reuter reports from Antofagasta, Chile.

The mudslide triggered by a freak rainstorm in this desert region smasbed through 600 homes before dawn oo Tuesday, injuring 750 people and leaving 20,000 homeless.

Officials said four of the injured died in hospital overnight.

Rescuers continued searching for 44 people believed missing under the avalanche that damaged 6,000 bouses and swept people, cars and furniture down to the city centre.

US court reinstates suit against Lloyd's

By Louise Kehoe in San Francisco

THE US Court of Appeals in San Francisco has reinstated an anti-trust suit filed three years ago against Lloyd's of London and other insurers, in a significant setback for the industry.

The law suit, filed by the state of California and later backed by other states, accuses the insurers of conspiring to eliminate or reduce liability insurance coverage for cities and businesses.

Lower courts had dismissed the case; but the three-judge Appeals Court panel has unanimously ruled that the case should proceed.

The ruling limits the exemption to anti-trust laws that has previously protected insurers and sets a precedent by including foreign companies.

Led by California, the states and a number of cities and businesses filed the anti-trust suit in 1988.

They accused the insurers of causing a national crisis in liability insurance in the mid-1980s.

At the time many cities and counties were forced to cut community services because liability insurance for injury, property damage and environmental claims was discontinued or became too expensive.

Among the 32 insurers named are Hartford Fire Insurance, Allstate Insurance, Aetna Casualty and Cigna.

The suit also names Lloyd's in its capacity as the underwriter.

The case will now go to trial in a district court.

However, the insurers could seek a review by the federal appellate court, which could see the case being placed before the US Supreme Court.

MPs acrobatics on Lloyd'e, Page 12

Bush defends Sununu in travel controversy

By Lionel Barber in Washington

PRESIDENT BUSH was yesterday forced once again to defend Mr John Sununu, White House chief of staff, over his frequent personal and political trips outside Washington.

The latest incidents concern Mr Sununu's use of corporate jets, as well as a ride last week in a government limousine to New York, where he attended an anction of rare stamps.

Mr Bush – responding to reports that he was "upset, angry and perplexed" and that he had sought independent political advice on the controversy – said Mr Sununu was doing an outstanding job.

But he added: "I recognise – and the governor [Mr Sununu] does – that there's an appearance problem. Nobody likes the appearance of impropriety."

Mr Bush has so far given no hint that he intends to force out Mr Sununu, a brash former governor of New Hampshire who is given virtually free rein to run domestic policy while the President focuses on foreign affairs.

Mr Sununu's use of expensive military aircraft for activities ranging from ski trips to visits to his dentist came to light last April, prompting the White House counsel to review his travel records and restrict senior officials' use of government planes.

Mr Sununn has since turned to using corporate jets for his travels. Several newspaper reports said yesterday that the governor had used White House staff to solicit corporations for jets, but Mr Sununn denied this.

Mr Sununu has argued that he requires sophisticated telecommunications equipment to stay in touch as he carries out his seven-day-a-week round-the-clock job.

Repnblicans are less impressed. Some question his sensitivity to ethical issues; others question why Mr Sununu, whose job ought to be primarily administrative, is required to travel to so many political events.

One explanation is that Mr Sununu is a former state governor who has not lost his taste for political speech-making since coming to Washington.

Another theory is that Mr Sununu wishes to remain in the public eye because he wants to control President Bush's re-election campaign next year, rather than cede authority to an independent campaign chairman.

Senior black expected to resign congressional post

By Peter Riddell

DEMOCRATIC Representative William Gray, the highest-ranking black politician in Congress, is widely expected to resign as House majority whip to become president of the United Negro College Fund, which provides financial support to 41 historically black private colleges in the South.

An announcement is expected today after a meeting of the fund's board. Mr Gray, whose current post is the third most senior in the Democratic House leadership, has been influential as the most prominent black in Congress in the political mainstream, offering a counter-balance to the more maverick Reverend Jesse Jackson.

Before being elected majority whip two years ago, Mr Gray had chaired the Democratic Caucus and the House Budget committee, where he became a strong critic of the Reagan White House's policies.

Mr Gray, 49, has heen in Congress since 1979 and earlier this year turned down a request to fill a vacant Senate seat in his home state of Pennsylvania.

Nicaragua postpones land ownership law

By Tim Coone in Managua

NICARAGUA'S National Assembly has postponed debate on the abolition of two key pieces of property legislation which had been approved by the former Sandinista government to protect small farmers and urban squatters from eviction.

The debate will now await the outcome of a parallel arbitration process or concertacion between business leaders, farmers and trade unionists who are attempting to negotiate an agreement on how to deal with the legal chaos surrounding property ownership in Nicaragua.

Mr Alfredo Cesar, the president of the assembly, said that the recommendations made by the concertacion would be incorporated into the assembly's deliberations "in two to three weeks" but that account must be taken of over 9,300 property title deeds to some 450,000 hectares of land that were issued in the last three months of the Sandinista government in 1990.

"We have established that a considerable number of these titles may have been given to people who are not entitled to receive them under the agrarian reform law," he said.

Sandinista party officials were the beneficiaries of many of these questionable land and property titles.

Sandinista leaders said yesterday that protests would continue. Armed groups have occupied the city hall in Managua and an anti-Sandinista radio station since Tuesday. Small bombs were thrown at a Sandinista radio station.

US ban may hit AIDS conference

An international AIDS conference in Boston next year will probably be cancelled unless the US lifts a ban on foreigners infected with AIDS, the meeting'e organiser said yesterday, Reuter reports from Florence.

The two main sponsors of the annual conference have threatened to withdraw their support for the Boston venue if the regulation remains in effect after August 3, when the rule is up for review.

"It is extremely likely that if there is no progressive action prior to August 3 and (the AIDS virus) HIV is still on the list, the meeting will indeed be cancelled," said Mr Max Essex, chairman of the Boston conference.

The exclusion rule was suspended for last year's AIDS conference in San Francisco.

Nigeria closer to relations with Pretoria

By William Keeling in Lagos

NIGERIA moved a step towards diplomatic and trade relations with South Africa yesterday with a statement applauding President F.W. de Klerk for his "brave and positive" steps in dismantling apartheid.

The statement was made on behalf of General Ibrahim Babangida in his dual role as president of Nigeria and chairman of the Organisation of African Unity (OAU). The repeal of South Africa's Population Registration Act on Monday had "by and large expunged apartheid from the statute books", said the statement.

Gen Babangida, appointed OAU chairman during the heads of state summit earlier this month, also chairs the OAU's ad hoc committee on southern Africa, which has the authority to decide when and whether to lift sanctions.

The statement said that the ad hoc committee, whose members include the frontline states, the African National Congress and the Pan-Africanist Congress (PAC), was already in the process of being convened "to discuss the appropiate response" to the repeal of apartheid legislation.

But it added that obstacles to lifting sanctions remained, such as the release of remaining political prisoners and what it termed Pretoria's "responsibility in the black-on-black violence in the townships".

Nigerian officials are known privately to be eager for sanctions to be lifted at the earliest appropiate stage. High-level discussions have been taking place between Nigerian and South African diplomats in Paris and London for the last two months.

With Nigeria accounting for about 8 per cent of Opec oil production and offering a market of some 115m people, there is potential for two-way trade between the countries.

There has been speculation about a visit to Nigeria by Mr de Klerk this year, possibly preceded within the next few weeks by Mr Pik Botha, the South African foreign minister.

Evergreen to boycott Taiwan plan

By Peter Wickenden in Taipei

THE Evergreen Group, one of Taiwan's largest industrial conglomerates, has decided to boycott an ambitious \$300bn (£183bn) six-year National Development Plan for which the government had been counting on private sector support.

Mr Vincent Siew, the economics minister, said the move was a body blow to private sector investment willingness, which hit a historical low last year and continued to decline in the first quarter, but has recently shown signs of reviving.

The government was seeking private capital for the plan in order to minimise the need for large debt issues.

The company said yesterday that the move was made partially in reaction to the efforts of MPs from the ruling Kuomintang party to ground Evergreen's newly established Eva Airways subsidiary, which was scheduled to start flying on July 1.

Eva Airways, Taiwan's first privately owned international airline, is a challenge to China Airlines, the state-owned flag carrier.

To escape what it called a "complicated political and investment climate", the group is considering moving parts of Eva Airways' operations to Panama or Australia. Its Evergreen Heavy Engineering subsidiary may also pull out of two new government-backed high-technology companies, one to produce electric multiple unit trains, and the other to make titanium alloys for the island's fledgling aerospace industry.

A decision has yet to be made on whether to withdraw from Taiwan Aerospace, another state-backed venture to produce parts for the world's main aircraft makers, which is due to be formally established in the next few weeks. Evergreen has committed T\$500m (£11.2m) to the company, accounting for about 5 per cent of Taiwan Aerospace's starting capital.

ANC and Inkatha to join national talks

By Philip Gawith in Johannesburg

THE African National Congress and Inkatha, the rival black movement, have both agreed to attend a meeting at the weekend for the first national talks involving all the main protagonists aimed at stopping political violence in South Africa.

The ANC and its allies refused to attend a similar, government sponsored conference held in late May, arguing that the government itself was heavily involved in the violence.

Saturday's meeting, which will be attended by members of the ruling National Party, is the product of weeks of quiet diplomacy on the part of a group of 12 church leaders and businessmen. Originally billed as a summit, the meeting is now being described as a "process exercise".

The only political organisations which have declined to attend are the right-wing white Conservative Party and certain of its allies, which are peripheral in the township violence issue.

Meanwhile, President FW de Klerk is today due to meet a delegation of educationists led by Mr Nelson Mandela, the ANC deputy president.

S Koreans vote in local poll

By John Ridding in Seoul

SOUTH KOREAN voters go to the polls today to elect local councils in the country's main cities and provinces – an important stage in the process of re-establishing local democracy after 30 years.

Unlike the first round of elections, held in March, parties have been allowed to nominate candidates. As a result, the polls will indicate the level of support for the government of President Roh Tae Woo which has endured six weeks of protests triggered by the death of a university student at the hands of riot police.

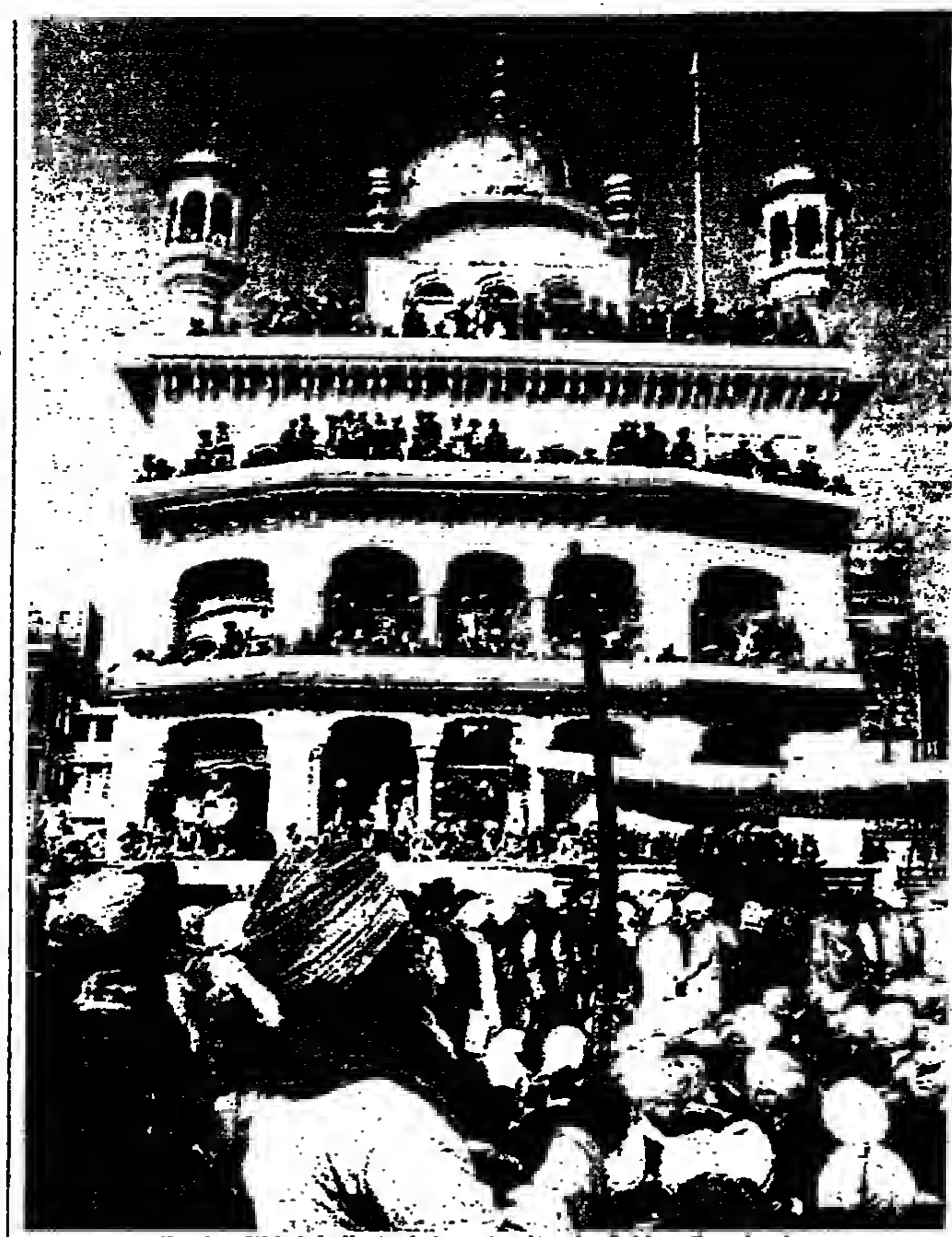
The polls will also present both ruling Democratic Liberal Party and opposition New Democratic Party with the opportunity of extending their bases of support before general and presidential elections scheduled for next year.

Most analysts expect the ruling party to win majorities on most of the councils and say the significance of the result will depend on its margin of victory. But with almost half of the voters undecided, according to local newspaper polls, and with several of the contests running very close, this margin is difficult to predict.

Inflation and other economic concerns and and a sense that the government lacks direction have eroded middle class support for Mr Roh's administration. But New Democratic Party, headed by Mr Kim Dae Jung, has so far seemed unable to win the support of such disenchanted voters.

At the same time, a growing reaction against this spring's widespread student demonstrations, and a physical attack by radical students on Mr Chung Won Shik, the prime minister, may strengthen support for the government.

Competition is expected to be most severe in Seoul, which accounts for 132 of the 866 seats being contested. The DLP forecasts that it will win just over half of the seats, while the NDP predicts it will win between 40 and 50 seats.



Separatist call: the Sikhs' holiest shrine, Amritsar's Golden Temple, has seen many demonstrations by separatists calling for an independent Sikh homeland in the Punjab

Punjab votes as violence swells

KK Sharma reports killings have reached a daily rate of 15 to 20

TORN FOR more than seven years by Sikh separatist violence the north-western Indian state of Punjab goes to the polls on Saturday to elect a new state legislature and 13 members of the national parliament.

Although violence has marked this month's elections in the rest of India, it was at nowhere near the scale reached in Punjab. Many, including the Congress party which is boycotting the poll in the state, have concluded that conditions are impossible for a fair and free election.

A similar insurgency by militants in the northern state of Jammu and Kashmir, where violence continues unabated, led the government to cancel elections in the state. Kashmir, which should have six MPs, is the only Indian state where elections are not being held.

Violence in Punjab has escalated sharply since elections were announced. The state has been ruled directly by New Delhi for the last four years. In an attempt to provide security to the candidates and the electorate, the authorities have separated elections in the state from other parts of the country and hundreds of thousands of paramilitary forces have been sent there now that they are free of election duties in other states.

The entire state has been declared a "disturbed area", enabling the government to deploy the army to maintain security. Punjab is the only state where where the army is being used for election duties and it is making "flag marches", or a show of force, in all parts of the state.

Despite this, violence continues and 15 to 20 people are being killed every day. In a particularly horrific incident, 76 Hindus were massacred in two trains in Ludhiana district last weekend by Sikh militant groups determined to disrupt the election.

They have already killed at least 20 candidates, forcing the election commission to annul elections in as many state legislature constituencies and one parliamentary constituency. This was despite the armed guards provided to every candidate.

Ironically, the candidate to be killed in the Jalandhar parliamentary constituency belonged to the most extreme of the factions of the Akali Dal, the Sikhs' main political party, led by Mr Simranjit Singh Mann, who has often spoken of independence for the Sikhs.

Mr Mann's faction is one of three groups claiming to represent the Akali Dal in the elections. The Dal, which had united just a few months ago to fight for justice for the Sikhs, split again when the elections were announced. Apart from Mr Mann's group, the most important is led by Mr Prakash Singh Badal, a former chief minister of Punjab. The extremist All India Sikh Students Federation is also fielding candidates.

Cresson criticisms sting Japanese into protest

By Robert Thomson in Tokyo

FOR THE past two days, the French embassy in Tokyo has been on the receiving end of a high-decibel Japanese reply to unflattering comments made by Mrs Edith Cresson, the French prime minister, who locally has come to symbolise the foreign misunderstanding of things Japanese.

The French embassy was circled yesterday by the amplifier-packed sound vans of extreme right-wing groups, who demanded an apology from Mrs Cresson for comments made about Japan before her appointment as prime minister.

While the response of the extreme nationalists is predictable, Mrs Cresson has also become an important topic of conversation in Middle Japan, which has been reminded each day by the media of her past descriptions of Japan as an "opponent that doesn't play fair" and her more recent suggestion that the Japanese market is "hermetically sealed".

A relatively serious Japanese newspaper, the Mainichi, this week published an editorial describing the French prime minister as an "inedible salad" and condemning what is perceived in Japan as a lack of tolerance. A magazine, the Weekly Bunshun, this week headlined a feature "Come off it Cresson".

She has been discussed at length on radio talk shows and television news programmes, and a few Japanese companies have hinted that her criticism is a good reason not to invest in France. Another newspaper, using a photograph of a smiling Mr John Major for emphasis, compared the welcome given to Japanese investment in Britain with Mrs Cresson's past assertion that Japanese companies want "to conquer the world".

The public debate has followed a rare diplomatic protest by the Japanese government, which recently summoned Mr Loïc Hennekinne, the French ambassador, and explained that Mrs Cresson's remarks on Japanese trade practices were "inappropriate" and might "adversely affect friendly relations" between the two countries.

More serious Japanese newspapers have made clear that her voice represents only a "faction" in the French government suspicious of Japanese businesses, and is basically targeted at a domestic political audience. However, more populist commentators have taken her remarks as an opportunity to confirm their own prejudices about foreign attitudes to Japan.

Mr Shintaro Ishihara, a member of the ruling Liberal Democratic Party and author of the best-selling book A Japan That Can Say No, has made a series of unfavourable comments about Mrs Cresson. Among the less unpleasant was the suggestion that Japan has no reason to be "frustrated" as "European nations which are closed to competition will destroy themselves".

Japanese executives privately express disappointment, but few have been willing to made public comments. Mr Norio Ohga, president of Sony, the electronics company, said that Mrs Cresson had visited a Sony factory in France and has a full understanding of the importance of the bilateral relationship, though her more recent comments are "regrettable".

The blight on Osaka's luxury flat market

Fancy exteriors fail to hide gloom in Japan's property sector, writes Stefan Wagstyl

DEVELOPERS who tried to profit from the recent boom in Japanese property prices by building in Senri, a fast-growing suburb of Osaka, had a sense of style. Marble gateways, brass plaques and landscaped gardens surround the area's blocks of luxury flats.

But the fancy exteriors cannot hide the blight on Senri since the boom in the Japanese property market ended last summer: homes, which agents once hoped to sell for Y100m (£429,000) are going for Y70m.

There are few cities in Japan where the plunge in the property market has been greater than in Osaka – and few parts of Osaka where the impact has been bigger than in Senri.

"In most areas, we saw actual demand for land before the speculators got in; in Senri, speculators went in first," says Mr Etsuro Sawada, a general manager at Kintetsu Real Estate, one of Osaka's largest property development groups.

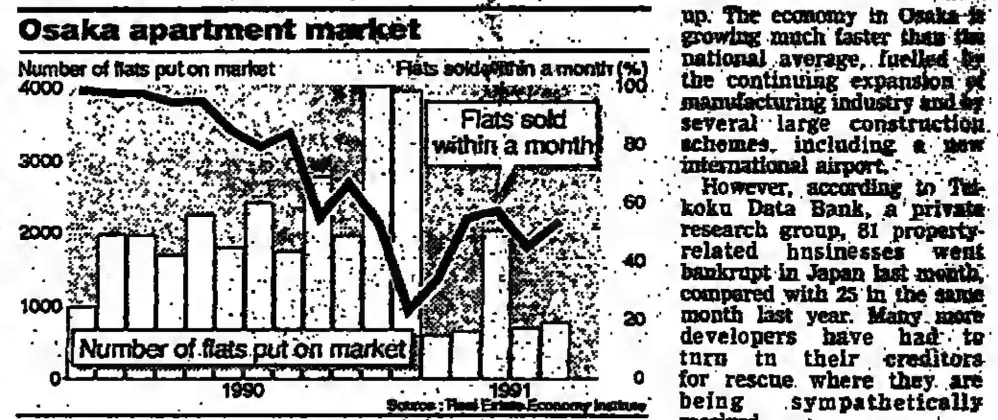
The end of the boom was triggered by a rise in interest rates which started in 1989 and a squeeze on bank credit. But there have so far been few bankruptcies among local developers, and none among local financial institutions, though some small credit unions have up to 60 per cent of their loans in property. Instead, say local estate agents, the distress in the market is reflected in a dearth of activity. "The market has disappeared," says Mr Sawada.

Leading businessmen in the region expect to see more bankruptcies among developers and the possible rescue of one or more small financial institutions. But they see no threat to the financial system in Osaka or to the region's economy.

"The image of Osaka has been hurt by the bursting of the financial bubble but not Osaka's underlying strength," says Mr Shunichi Ishibashi, president of Osaka-based Daiwa House, Japan's second-largest home builder.

Residential land prices in the region have fallen more than prices for commercial land, as they have elsewhere in Japan. According to the Japan Real Estate Research Centre, residential land prices in Osaka fell 4.1 per cent in the six months to the end of March and commercial land prices 3.2 per cent.

But these figures lag behind market prices and tend to under-estimate peaks and troughs. The true picture, according to agents in Osaka, is that commercial land prices have fallen by between 5 per cent and 20 per cent, with the biggest declines in outlying suburban districts. For residential land the declines range between 15 and 40 per cent.



The most troubled corner of the market is blocks of residential flats build for owner-occupiers, such as those in Senshu. Prices for second-hand homes have fallen by up to 40 per cent in many districts.

By trying to maintain prices, the developers are driving away buyers. Just 52 per cent of the new flats offered for sale in May were sold during the month, compared with 94 per cent in May last year. Only 760 homes were marketed against 2,222 last year.

At the other extreme, the strongest market conditions are for prime commercial properties. Mr Kimio Nakazawa, an adviser to Wako Real Estate, an affiliate of Wako Securities, an Osaka-based stockbroker, says prices have not fallen for the best streets in central Osaka. "But you have to be careful. A few blocks away it begins to get very dangerous."

Developers see no prospect of a recovery until the Bank of Japan eases its current tight monetary policy and the ministry of finance relaxes restrictions imposed last year on bank loans to property companies. Since the authorities' purpose was – in part – to kill speculation in land, they are unlikely to be moved by the squeals of the real estate industry.

Nevertheless, once the excessive expectations of the last two years completely disappear, the market should pick up. The economy in Osaka is growing much faster than the national average, fuelled by the continuing expansion of manufacturing industry and by several large construction schemes, including a new international airport.

However, according to Teikoku Data Bank, a private research group, 81 property-related businesses went bankrupt in Japan last month, compared with 25 in the same month last year. Many more developers have had to turn to their creditors for rescue where they are being sympathetically received.

Osaka companies which are being bailed out include Itoman, a trading company, which has asked Sumitomo Bank for help with property debts totalling Y500bn. Another is Asahi Juken, a leading developer specialising in flats, which owes Y570bn to banks and C Itoh, the trading company.

Bankers in Osaka say that they can cope with the strain, principally because for every bank involved in a high-profile rescue, there is another which claims to have kept its loan book clean. For example, officials at the Bank of Kinki, a leading regional bank in Osaka, say they do not have a single non-performing loan to a property company.

Baker seeks to draw in Israel

By Lionel Barber in Washington

THE US has put forward new inducements to Israel in the hope of breaking the deadlock over Middle East peace talks, assuring it that the administration would veto any UN Security Council resolution which sought to dictate terms to the conference.

The US has also indicated it will give Israel a secret veto against Palestinians attending the talks who are residents of East Jerusalem and have Palestine Liberation Organisation ties.

The new initiative was first reported in the New York Times yesterday which said that Mr James Baker, US Secretary of State, had also held out the prospect of Saudi Arabia meeting directly with Israel in multilateral talks about the environment, water resources, arms control and even economic development.

The US inducements were made in a letter to Mr Yitzhak Shamir, Israel's premier who has irritated the US by ruling out a UN role in a peace conference, and insisted on Israel's right to veto proposed members of the Jordanian-Palestinian negotiating team.

Mr Bush is also waiting for a reply from Syria to a letter calling on all interested parties to show flexibility as a means of breaking the stalemate.

The US approach is to use these new incentives to persuade Israel to drop its objections on procedural questions and move to the issue of direct talks with Arab states. It also wants to assure the Arabs that Washington remains committed to the "land for peace" formula implicit in UN resolution 242.

The idea is to convene a three-state conference beginning with a short ceremonial opening session attended by Israel and its Arab neighbours, as well as Saudi Arabia and other Gulf states. The US and Soviet Union, along with an observer from the EC and the UN, would also be present.

The conference would then move almost immediately to direct talks between Israel and its neighbours on borders and a future peace settlement.

The last stage would be a multilateral meeting of all the parties to discuss regional problems.

PLO loses rare public election in West Bank

By Hugh Carnegy in Jerusalem

A RARE public election in the Israeli-occupied territories has been won by Islamic fundamentalists at the expense of supporters of the Palestine Liberation Organisation which traditionally claims majority backing in the West Bank and Gaza Strip.

The election for the 11-member chamber of commerce in the West Bank town of Hebron was the first for public office in the occupied territories since 1976. It was widely seen as a test - albeit limited - of the political mood among Palestinians after three years of revolt against Israeli rule.

The PLO and the main Islamic organisation Hamas are outlawed, but the principal slates of candidates in the Hebron poll were clearly identified as an Islamic list and a secular list of PLO supporters. The results released yesterday showed a clear victory for the Islamic list which won six seats in the chamber. The pro-PLO slate took four and the last went to an independent.

Candidates from both sides cautioned against reading too much into the result. Only about 1,500 merchants and businessmen from the Hebron area were eligible to vote and the main issues were how to alleviate tough Israeli tax policies and improve a depressed business climate.

Czech detergent group finds US purchaser

By Anthony Robinson, East Europe Editor

PROCTER and Gamble, the US household goods corporation, has taken 100 per cent control of the detergent company Rakovnik in the first big Czech privatisation deal involving a US company.

It is paying $20m (£12.1m) to the National Property Fund of the Czech republic for Rakovnik, which supplies 60 per cent of the Czechoslovak detergent market, and has pledged to invest a further $24m over the next four years to modernise plant and double production. Earlier this year the German detergent company Henkel agreed a joint venture with the main Slovak detergent producer, Palma of Bratislava.

The Rakovnik purchase is the first privatisation through foreign purchase to be finalised under the terms of the "large privatisation act" which came into effect on April 1. This requires all Czech companies to draw up proposals for their privatisation.

In order to dispel the confusion which previously surrounded property and ownership rights the law also provides for the ownership of companies about to be privatised to be transferred to a National Property Fund under the jurisdiction of the ministry of privatisation.

"This deal signals an end to the previous *ad hoc* approach and the beginning of systematic privatisation under the April 1 law," according to Mr Daniel Arbess, of the US law firm White and Case, which is advising the Czech Ministry of Industry on privatisation. Last week Mr Jan Vrba, the minister for industry, said in London that 50 of the most eligible Czech companies would shortly be available for privatisation through purchase by foreign investors.

The Czech government retains the final word on deals involving 100 per cent takeovers by foreign companies. In all other cases privatisation proposals have to be approved by the sponsoring ministry of the company. This is usually the industry ministry. The shares are then transferred to the National Property Fund, which is an independent legal entity under the Ministry of Privatisation. The fund retains ownership of any shares not sold to a foreign partner.

GE agrees aero-engine pact

By Paul Betts, Aerospace Correspondent

GENERAL Electric of the US has signed a long-term co-operation agreement with the Czechoslovakian aircraft engine company Motorlet to develop and manufacture new aero-engine and components programmes.

The agreement, signed at the Paris air show, will boost GE's presence in east Europe. The US aero-engine group signed an initial agreement with Czechoslovakia last year involving supply of turpo-propeller engines and technical support for the 40-seat Czechoslovakian Let L-610 regional airliner for western markets. GE also supplies its CF6-80C2 engines to power the Airbus wide-body jets of the Czechoslovakian state airline, CSA.

Mr Brian Rowe, head of GE's aero-engine operations, said the agreement envisaged broad co-operation. This was expected to involve the possibility of building a GE engine in Czechoslovakia.

GE confirmed that Kuwait Airways had chosen its engines and those of its CFM joint venture with Snecma of France to power its new airliners. The GE package includes at least 54 engines for several European Airbus aircraft and three Boeing 747-400 jumbos.

Airbus to fight US moves on subsidies

By William Dawkins in Paris

THE four member countries of Airbus, the European aircraft consortium, yesterday said they would fight all the way against US moves towards launching a fresh complaint against Airbus subsidies in the General Agreement on Tariffs and Trade.

Mr Paul Quilès, French Minister for Transport and Space, said Washington's allegations were "completely excessive" and that the governments involved were ready to defend "the jewel of the European aircraft industry."

France and its partners, Britain, Germany and Spain, were ready to discuss the whole question of aircraft financing and to define multilateral rules on the subject with all Gatt members, he said.

Transport Ministers of the Airbus countries yesterday agreed to go on pushing for talks with the US to take place under Gatt's civil aircraft code, which allows "special factors" to be taken into account when assessing state support for the aircraft industry. The US, supported by Gatt, wants to deal with the matter under the Gatt subsidies committee, which the Europeans fear will give them a less sympathetic hearing.

Washington had asked for formal consultations with the four Airbus Governments, on the whole range of Airbus subsidies.

China inches along copyright path

By Yvonne Preston in Beijing

UNIVERSITY libraries in China sport miles of shelves of pirated books. Special bookshops and sections of bookshops called *neibu* (insiders' places) are off limits to foreigners because they sell only reproductions of pirated books.

As a non-signatory to the Berne International Copyright Convention, China has been widely criticised for its cavalier manner with other people's intellectual property, refusing in effect to accept that it is property at all. Broadcasters in China ignore copyright altogether, never paying royalties on the records and tapes they play or the films they show.

In the heat of debate about whether or not to renew its most favoured nation trade status, the US blacklisted China, accusing it of being the world's worst offender, followed by India and Thailand, for pirating US copyrights and patents.

China hotly denied the charge and with some fanfare announced the country's first copyright law, due to have come into effect on June 1. The official New China news agency said the new law brought China's intellectual property law into line with international conventions.

This is far from being the case. One observer here said the new law was a big step and should not be underestimated but it was not up to international standards. China says it will actively explore the possibility of joining the Berne Convention and the Universal Copyright Convention, but he doubted if the new law would prove an acceptable basis for China's admission.

Considering the enormous attitudinal change needed in a communist country like China before it is able to accept the concept of copyright and intellectual ownership, the passage of the Copyright Law should not be underestimated. But it is substantially weakened by its major exclusions.

China's broadcasters successfully argued against being covered, claiming that their budgets would be strained if every time they played a record or showed a film they had to pay a royalty for it.

China's academics also argued an economic case against inclusion, expressing fears that they would be unable to obtain publications at affordable prices if obliged to accept copyright. They half-won their case in that the Act provides substantial exclusions for educational purposes.

While China indulges the special pleading of a poor developing country, it fails to appreciate that adherence to international copyright standards could bring it a share of the lucrative international printing business.

One area, computer software, remains a major problem. Here there is no agreement. China insists on a pre-registration deposit of a foreign software item, with full revelation of its workings, in order to judge whether other software is copied or not.

The requirement is totally unacceptable to foreign software producers and a major stumbling block. IBM will not even disclose the workings of its programs to its own clients, let alone hand the data over to the Chinese with their pirating record.

Manos: ancient remains will be out of danger

Metro deal signed for Athens

By Kerin Hope in Athens

THE Greek government yesterday signed a contract with Olympic Metro, a 25-member consortium led by Siemens of Germany and Interinfra of France, for construction of an 18km extension to the Athens underground system.

The Dr250bn (£785m) project calls for two new lines crossing the city centre and will take six years to complete. Construction is to begin early next year after a six-month study.

According to Mr Stefanos Manos, the environment minister, the metro extension will help curb chronic atmospheric pollution in Athens by reducing traffic congestion.

Mr Manos said the European Community would contribute 30 per cent of the financing under its structural aid programme, while another 50 per cent would be covered by loans from the European Investment Bank. The remainder will come from Greece's public investment budget.

Initial studies were carried out more than 10 years ago but political indecision, together with financing problems, brought postponements before bids were submitted in 1988.

Further delays were caused by changes of government, a revision of contract terms to comply with EC competition rules and concern over soil conditions and the possibility of hitting buried remnants of ancient Athens.

Mr Manos says tunnelling will take place at a depth of 18 metres, well below the earliest occupation levels according to an archaeological survey.

The present single underground line runs 20km from Kifissia, a northern Athens suburb, to the port of Piraeus. The two new lines, with 20 stations, will meet under Constitution Square in the city centre. They are expected to carry up to 150m passengers yearly.

Honda in customs dispute with US

By Bernard Simon in Toronto

AN allegation that Honda has improperly avoided paying US customs duties on vehicles assembled at a plant in Canada has signalled a hardening US stance against Japanese carmakers.

The US Customs Service has alleged that the Honda Civics built at the plant in Alliston, Ontario, contain only 38 per cent North American content, well below the 50 per cent required under the US-Canada free trade agreement for duty-free entry into the US. Honda has asked for a copy of the customs report.

The four-year-old Alliston plant built 107,000 cars last year, of which about 80 per cent were shipped to the US. An official at Honda's US subsidiary said: "We believe that the Canadian-made cars meet the FTA requirements."

He claimed that the North American content of the vehicles in fact was approaching 60 per cent. Most engine parts as well as automatic transmissions, steel, glass and tyres come from US or Canadian suppliers. Electronic components and circuitry continue to be imported from Japan.

The dispute appears to revolve around the precise definition of North American content but one Japanese motor industry official in Canada said he was surprised at the large discrepancy between the two numbers.

The North American content formula is a complex one which is negotiated on a confidential basis with each manufacturer. Honda would be liable for about $20m (£12m) in customs duties if it cannot disprove the Customs Service estimate, which was based on a lengthy investigation.

US officials are also auditing Cami Automotive, a joint venture between Suzuki and General Motors, whose factory is in Cambridge, Ontario.

Canada simulators for Japan airline

Canada's CAE Industries is to build flight simulators and other training devices for Japan Airlines, in a deal worth C$50m (£26.5m), Robert Gibbens reports from Montreal. They will be designed for 747-300 and 747-400 and MD-11 aircraft.

● MTM Aviation of West Germany is buying two jets worth over $30m (£18.2m) from the Canadair group of Bombardier.

Correction
Bristol Babcock

Bristol Babcock is a subsidiary of FKI, the diversified engineering group, and not part of Babcock International as reported in the Financial Times of June 18 1991.

West to update munitions export curbs

By William Dawkins in Paris

WESTERN allies are to bring export controls up to date by the middle of next year on sales of munitions and atomic energy equipment to the Soviet Union and eastern Europe.

The rethink is intended to take account of technological changes over the four years since the start of the last reassessment of this kind by CoCom, the 17-nation Co-ordinating Committee for Multilateral Export Controls, which exists to stop the Soviet Union and its former allies from buying militarily useful equipment from the west.

This follows the recent reduction in separate CoCom controls on exports of industrial technology with possible military applications; dual use goods in CoCom jargon. This came at the end of a long-running debate between the US and some European countries over how far it was safe to reduce technology trade barriers in recognition of the political changes in the Soviet Union and eastern Europe.

Updating CoCom's munitions and atomic energy lists should not attract anything like the same controversy, since the organisation's members – Nato minus Iceland but plus Japan and Australia – agree that the Soviet Union must still be treated as a strategic threat.

Plastic bags dumping inquiry

BRUSSELS has begun its first investigation into complaints that manufacturers absorbed anti-dumping duties instead of increasing prices, writes Andrew Hill in Brussels.

The investigation – into exports of plastic woven bags from China to the EC – will be followed, probably next week, by the launch of a more controversial inquiry involving alleged dumping of Japanese and South Korean compact disc players.

EC manufacturers have alleged that the price of the plastic sacks dropped by nearly 49 per cent, despite the imposition of a definitive duty of 48.4 per cent last November.

The complaints will be examined under the EC's fast-track "anti-absorption" procedure which allows an accelerated inquiry.

هكذا ضمن الأصل

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'S Tr LEAD FROM STRENGTH.

UK NEWS

Tory chairman tries to stop party infighting

By Philip Stephens, Political Editor

THE latest outbreak of infighting in the Conservative Party over Europe yesterday drew a terse rebuke from Mr Chris Patten, the party chairman, for Mr Edward Heath and Mrs Margaret Thatcher.

As ministers voiced dismay over Mr Heath's ferocious attack on his successor and over her reluctance to endorse Mr John Major, Mr Patten said that the prime minister's approach to Europe bad the "overwhelmingly" hacking of the Tory party.

The continuing row overshadowed tbe government's attempts to improve its standing in the opinion polls by injecting more funds into training schemes for the unemployed and by increasing its grant to British Rail.

Mr Patten will seek again to regain the political initiativa from Labour with the launch later today of a detailed attack on Mr Neil Kinnock's public spending and tax pledges.

After a detailed costing of its programme, the Conservatives will claim that unless the spending commitments are abandoned, Labour would be forced to raise taxes sharply. Mr Heath appeared unrepentant at the furore caused by his accusations that Mrs Thatcher had been guilty of "falsehoods and smears" on European integration.

Amid a mood of despair and disbelief among many Tory MPs about the damage that the clashes had inflicted on their party just days after the prime minister had sought to restore unity on the approach to European integration, Mr Patten did little to disguise his irritation.

"I hope all those who are as keen as i am to secure a fourth Conservative election victory will say exactly the same as that (the government's policy) and act as though they believed that as well," he said.

Downing Street indicated that Mr Major intended to stand aloof from the differences between his two predecessors.

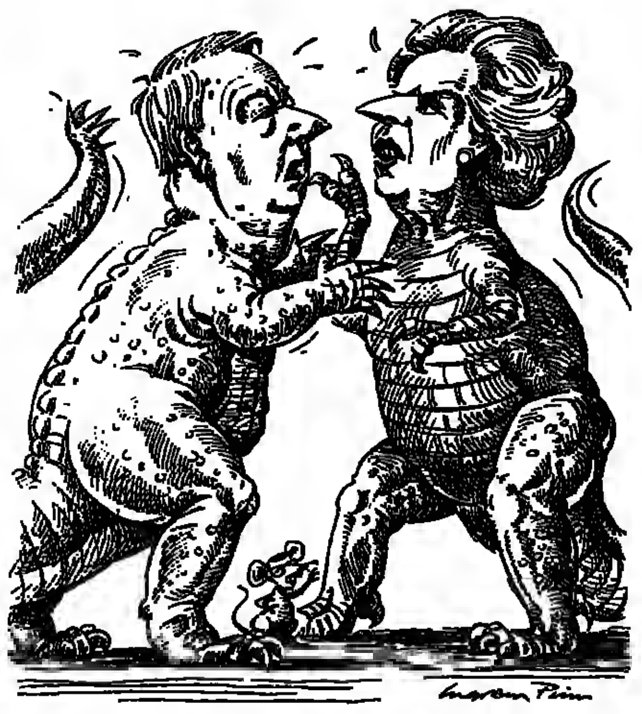
It emphasised, however, that Mrs Thatcher's public scepticism about the merits of the European exchange rate mechanism had done nothing to dent his commitment to maintain sterling's parity in the system.

The disarray brought derision from the other main parties at Westminster.

Editorial comment, Page 16

Thatcher shakes Major's bridge to Europe

Philip Stephens tells the story of a casual aside which could wreck the government



MRS MARGARET Thatcher has oever quite appreciated the lethal impact of ber unscripted asides on Europe. But after the havoc they have wrought in recent years she can no longer claim to be that naive.

Thus it was four years ago that Mrs Thatcher fatally undermined her theo chancellor of the exchequer with the casual comment tbat "you can't buck the market". The fundamental divide oo the European exchange rate mechanism had been exposed. From that momeot the rift could only widen.

It was a similar tirade in the House of Commons last autumn – oo that occasioo she tossed aside a foreign office rather than a treasury brief to utter her infamous "No, No, No" to the federalist ambitions of Brussels – which finally drove Sir Geoffrey Howe from office. Those few off-the-cuff remarks sealed her own fate

And so it was again this week. The instant sound and fury at yesterday ceotred on Mr Edward Heath's ferociously intemperate attack oo the woman wbo had displaced him as Conservative leader in 1975. Brimming with the anger and reseotment nurtured during 16 years spent in her cootemptuous shadow, Mr Heath's outburst about her "lies" and "smears" startled eveo his friends.

But it was a single sentence uttered by Mrs Thatcher in New York that sent a chill of foreboding through Mr John Major's Cabinet.

That dangerous gleam relit her eyes as she responded to questions on the role sbe might play in influeocing the future of European and trans-atlantic relations: "I think perhaps a little less sileoce might be called for on my part".

No-one at Westminster had to read between any lines to realise what she meant.

If by the end of the year Mr Major looks like agreeing to help lay the foundations to what she refers to as a European "Superstate", his predecessor will speak her mind. The issue which destroyed her might provoke a battla which could destroy ber party.

It has all added up to another awful week for tha prime minister; and, yet more ominonsly, the threat of another awful six months.

A few days ago in Swansea Mr Major had built the bridge towards Europe over which he had hoped to march all but a few stragglers in his party in the run-up to the election dne by mid-1992. It was a credible edifice.

He is not a natural federalist. But nor does he share Mrs Thatcher's view that Britain can stand aloof from the vision of a more tightly-knit European Community. She is an Atlanticist. He more naturally a European.

Mr Major can argue justly that his instincts – a pragmatic mix of pride in Britain's cultural and political inheritance with an appreciation that the economic performance necessary to sustain it cannot be achieved on the fringes of Europe – are shared by the majority of his party.

His approach meets the concerns of those Tory MPs whose business interests and connections persuade them that industry and the City of Londoo would wither if Britain opted for the economic alow lane of a two-speed Europe.

It offers also re-assurance to those more anxious about preserving the sovereignty of Westminster that he has no intention of transferring to Brussels the powers he has exercised for just a few months.

He has had some success in reinforcing the edifice by building stronger alliances with other European leaders. Where Mrs Thatcher was barely on speaking terms with Chancellor Helmut Kohl, Mr Major has established a firm friendship.

No longer shackled by Downing Street, Mr Douglas Hurd, the foreign secretary, has complemented that with a series of alliances with smaller countries.

By contrast, Mrs Thatcher heads a group of perhaps at most 20 Tory MPs who believe that almost whatever the conseqnences the Brussels clock must be stopped.

But so far at least the relative sparcity of committed supporters has not diminished the ability of the two extremes to act as powerful magnets drawing the centre of the party into civil war.

Mr Major's careful pragmatism will not clear automatically the minefields which still lie between his stance and the more ambitious aspirations of his European partners.

Though be has all bnt accepted the principle of a single currency if Britain has the theoretical opportunity to opt out, there is still much in the plans for EMU which he will find hard to accept.

Mrs Thatcher wants none of any of it. She now appears even to regret allowing Mr Major to lock sterling in the ERM. So at every step over the next few months, Mr Major will have to guess whether that is the one that could turn silent if sullen opposition into a public broadside.

It is impossible to gauge in advance the potential impact of any such outburst. For the moment the disquiet over Europe is being amplified greatly by a more general fear that the government is losing its 13-year grip on power.

If the economic recovery is well under way by the autumn and the Conservatives are regaining ground in the opinion polls, then Mr Major might well be damaged but not devastated by an attack.

But if the country remains mired in recessioo and the Tories are still struggling in the polls, it could well be a open fight over Europe deals the final blow.

In New York this week Mrs Thatcher lit a fuse. Mr Major faces several nerve-wrecking mooths before ha discovers whether it is connected to a noisy but in the end relatively harmless firework or to a time bomb which could blow him out of Downing Street.

German car company shelves UK expansion

By John Griffiths

BMW's wholly-owned UK importer said yesterday that it is cutting jobs and abandoning plans for an expansion of its dealer network, lending fresh emphasis to the gathering new car sales crisis facing the UK motor trade and industry.

BMW (GB)'s decision to eliminate 26 jobs and drop plans to increase its dealer network from 160 to 190 comes against the background of one of the sharpest UK new car sales slumps on record.

Rolls-Royce and Porsche Cars (GB) are among the luxury and executive car makers and importers which have already announced substantial job cuts.

Meanwhile several thousand jobs have been eliminated within the past year by volume car producers.

Significantly, however, BMW (GB) says it believes the market problems experienced in the UK are longer term and that the company is being 'downsized' as a result.

The 26 job losses are additional to a recruitment freeze which has already lasted for six months and eliminated a further 20 jobs, leaving BMW (GB)'s total employment at 389.

Apart from the immediate recession, market prohlems include the increasingly severe tax burden imposed by successive budgets on company cars, which account for more than 60 per cent of all sales, and a worsening controversy over whether new car prices are too high in the UK.

There is a growing belief that resentment among business car buyers over prices being charged by manufacturers, coupled with high depreciation levels, is fuelling a current boom in "nearly-new" car sales, particularly in the range of larger cars.

The announcement of the BMW cutbacks also coincides with publication of a post-budget survey of nearly 500 businesses, operating a total of 150,000 cars, which highlights clear and increasing concern over the cost and tax implications of company cars, and the intention by many companies to place restrictions on their provision.

British Rail wins extra state grants

By Richard Tomkins, Transport Correspondent

THE Government has decided to give British Rail (BR), the state rail network, an extra £400m in grants and loans this year to halp it through its financial difficulties, Mr Malcolm Rifkind, the transport secretary, announced yesterday.

The extra cash represents a 36 per cent increase on the figure of £1.122bn allocated to BR in last November's autumn statement. The government has also agreed to write off BR's overspend of £316m in the last financial year.

This year's increase, however, is well short of the £650m BR had sought.

BR is experiencing acute financial problems because property profits and revenues from passenger and freight traffic have been hit by the recession.

The amount of help Mr Rifkind could secure for the corporation had been seen as an important test of the government's avowed commitment to the railways, signalled by Mr Rifkind in a speech last month.

Although less than BR wanted, the settlement is likely to be interpreted as hroadly positive given the severe and increasing pressure on government finances.

Mr Rifkind also sugared the pill by announcing that he had approved a BR order of £127m worth of Networker trains to complete the planned modernisation of the south-east London and inner Kent fleet.

Sir Bob Reid, BR'a chairman, gave the financial settlement a cantious welcome. He said: "Tha secretary of state's announcement in difficult economic circumstances is a substantial move in the right direction, although there is still a long way to go."

Mr Rifkind also announced yesterday that grants to London Transport were to rise this year by £53m above the figure of £669m announced in November's autumn statement.

London Transport said the extra money would enable it to unfreeze some minor spending projects, but little more.

Mr John Prescott, Labour's transport spokesman, said BR's settlement "can't begin to tackle the huge problems on the railways".

Credit card fraud costs banks £150m

By Philip Coggan

MR KENNETH Baker, the home secretary, has asked represantatives of hanks and building societies to meet him next Wednesday to discuss the problem of cheque and credit card fraud, which cost major retail banks £150m in 1990, almost donhle the figure for the previous year.

The meeting follows the publication yesterday of a Home Office commissioned report suggesting ways that fraud can be attacked, including the introduction of photographic identity cards.

Laser engraved payment authorisation cards with photographs could be shown as proof of identification when customers use a credit or cheque card.

This, say the authors, "will reduce the number of people who can pass off cards as their own" although tha costs of prodncing the cards means there is no certainty that financial institutions will see a net benefit.

The report also calls for greater aharing of data on fraud between financial companies and improved security in high risk areas as well as secure delivery of cards to customers in some areas.

Fraud is sharply on the increase, according to the authors. Credit card fraud losses increased by 99 per cent between 1988 and 1990, while the number of credit cards issued rose by only 30 per cent over the same period.

The ratio of fraud to turnover, which was 0.13 per cent in 1987, has risen to 0.25 per cent.

It is estimated that, on the London black market, thieves can sell cheques with a guarantee card for £3 to £10 each and credit cards for up to £150.

UK NEWS

Liverpool: the city politicians can never ignore

BRITAIN'S political parties are turning their attention northwards to a city in crisis: Liverpool, writes Tim Burt.

Once regarded as the economic powerhouse of north-west England and one of the world's great ports the city is now blighted by high unemployment and inner-city deprivation.

In the past few weeks Liverpool's problems have escalated. The city council, now controlled by moderate Labour politicians, wants to cut its workforce by 1,000 to help balance finances.

The proposal has prompted a wave of industrial action by trades unions which has disrupted services from refuse collection to grave-digging.

The Labour Party, which holds five of the six parliamentary seats on Merseyside, lays the blame for the crisis on the Trotskyite Militant Tendency, which held sway over the city council from 1983 to 1986, and still exercises a strong influence on many councillors.

Five years ago the national Labour party expelled 12 Liverpool council officials amid allegations of betrayal and treachery from Militant supporters.

Mr Neil Kinnock, the Labour leader, denounced Militant's policies in Liverpool in 1985 at the party's conference.

The attack on Militant led to an immediate increase in Labour's popularity and was seen as further evidence of Mr Kinnock's ability to jettison the party's old-style image and radical left-wing policies.

The Labour leader is now backing moderate council leaders in their redundancy proposals. Facing him is an old adversary - Mr Ian Lowes, the GMB general union official expelled from the Labour Party in 1986, who is leading the current industrial action.

The wounds left by Militant on the Labour Party have also been reopened by the death of Mr Eric Heffer, the left-wing MP who represented the Liverpool constituency of Walton.

Politicians have descended on Walton to campaign in the by-election. The official Labour candidate is being challenged by a "Broad Left" candidate - Mrs Lesley Mahmood.

The Conservative says the city is an example of a Labour administration at work, and one which they say would be mirrored on a national scale if Labour came to power.

Mr Kinnock, who yesterday flew to Liverpool, knows victory will prevent any harm coming to his chances of winning the next general election.

Kinnock avoids showdown with council rebels

By Ivo Dawnay in Liverpool

THE long-promised showdown between Mr Neil Kinnock and Liverpool's rebel Broad Left grouping proved a disappointment yesterday as the Labour leader avoided a confrontation with council workers in favour of a visit to the fiercely-contested Walton constituency.

But to dispel doubts that a final clash will come at the July 4 by-election, loyal Labour councillors stuck to their guns by decisively voting down a move by the Militant-backed left to halt the contracting out of rubbish collection services to a French-owned contractor.

Onyx UK had tendered a £3.9m bid for a seven year contract, less than half the £7.9m proposed by the city's Direct Service Organisation, provoking a work-to-rule which has left an estimated 12,000 tonnes of rubbish on the streets.

Although the party leader's visit was intended as a gesture of defiance at the rebel Broad Left - now expelled from the party and dubbing Labour's official candidate Mr Peter Kilfoyle as "Kinnock's Yes-man" – its manner suggested that allegations of intimidation are being taken seriously.

After a private meeting with Mr Harry Rimmer, the council leader, Mr Kinnock avoided a city centre demonstration by council workers and left-wing activists and instead made low-profile visits to an old people's home and Labour's campaign headquarters.

Justifying his itinerary he said: "I think the most important people for me to see are the people who are suffering the effects of rubbish in the streets and in the parks – they are the important people for me to talk to."

Inevitably, however, Mr Kinnock's avoidance of the city centre was seized on at the council by Mr Paul Clark, the deputy Liberal Democrat leader and the party's candidate in the Walton by-election.

Using the debate on the Onyx tender as his opportunity, he accused Labour of failing to address the point that Liverpool has been run by the official Labour party for four years. "It is no good for Neil Kinnock arriving today and playing Pontius Pilate and blaming the trades unions," he said.

In the debate that followed, Miss Lesley Mahmood, the Broad Left candidate for Walton, turned on all her political rivals in her effort to delay Onyx's contract going ahead.

"It is a disgrace that a Labour administration should be teaming up with Liberals, cheered on by Michael Heseltine [the environment secretary] to do down the people of Liverpool," she said.

Despite the protest, Mr Rimmer insisted that there was no alternative to accepting the bid.

The council leader went on to promise immediate action from midnight if refuse collectors continued the work to rule. The contract was approved by 58 votes to 30.

The official Labour group also looked set to defeat a late effort by the Broad Left to reverse almost 1,000 redundancies agreed by the council in votes concluded in March.

Resistance from the Liverpool Joint Union Committee, co-ordinating city-wide industrial action, also appeared to be faltering last night over a threatened strike by crematorium and cemetery workers over 30 planned redundancies.

Mr Keith Dovastone, the committees secretary, said the threatened action could be revoked next week if undertakings were given to re-deploy the workers in other council vacancies.

Ashley Ashwood

Ian Lowes, GMB official who is leading the dispute, addresses a meeting yesterday

BRITAIN IN BRIEF

UK climbs competition rankings

The Organisation for Economic Co-operation and Development (OECD) has raised the UK up from 12th to 10th place in the 1991 world competitiveness rankings despite the present weakness of its economy.

The Geneva-based OECD cited high ratings for the availability of finance, the quality of its financial services and the level of its cross-border investment flows.

Britain is bottom among OECD countries for standards of compulsory education, availability of skilled labour and the availability of qualified engineers. It comes second last in in-company training.

New union powers planned

Ministers are likely to extend the powers of the certification officer for trade unions to pursue disclosure of financial information following the collapse of the prosecution of Mr Arthur Scargill and the National Union of Mineworkers for returning inaccurate accounts.

The prosecution offered no evidence against the NUM, Mr Scargill, NUM president, and Mr Peter Heathfield, the union's secretary, after a magistrate in Sheffield, northern England, rejected a prosecution request for a judicial review of the three-day case.

The extension of the certification officer's powers will be proposed in a government consultative document next month.

'Plug pulled' on Ulster talks

The Rev Ian Paisley, Democratic Unionist leader, claimed that the British and Irish governments had decided to "pull the plug" on talks on Ulster's political future.

Speaking during a break in the conference session held at Stormont, near Belfast, Mr Paisley was critical of remarks by Sir Ninian Stephen, the former Governor General of Australia, who is due to chair talks involving the Irish government.

The DUP leader said standing orders agreed for the second phase of the talks precluded Sir Ninian from making comments, yet he had spoken in Australia about his role and the talks timescale.

New scheme for wine producers

The government is to introduce a pilot quality wine scheme for UK wine producers, according to Mr David Curry, parliamentary secretary to the ministry of agriculture. The scheme will be launched for the 1991 vintage this autumn and come into full operation next year.

Environment policy attacked

British manufacturers of pollution monitoring equipment have been handicapped by lack of environmental awareness and slow development of "green" legislation in the UK according to a report commissioned by the Department of Trade and Industry.

"The required pollution control agencies have either not been set up or have been ineffectively funded," it says.

Some of Britain's European rivals, notably Germany, have been given a head start in this huge international market because their tougher "green" regulations provide them with a big home base for their sales.

London buses face crisis

The increasing age of London's buses is threatening to reach crisis proportions in the next five years, London Transport figures show.

Already more than 20 per cent of the London Buses fleet consists of vehicles past the end of their design life. By 1996, the proportion is projected reach more than 60 per cent.

London Buses says the result will be an increase in maintenance costs, frequent breakdowns and a decline in its ability to operate scheduled services.

Conservation plan for zoo

London Zoo should be converted to an environment and conservation centre financed by private-sector sponsorship and government cash, and the animals rehoused at Whipsnade Zoo, according to a cross-party committee of MPs.

The zoo, in Regent's Park, has been hit by a cash crisis which may force it to close, and the government has ruled out any further public money to bail it out of its financial problems.

British Coal reorganisation

British Coal is to reorganise its collieries management structure, the company has announced. It said it was too early to estimate how many posts would be cut but unions representing the 900 management and clerical staff involved in the reorganisation had been informed of the changes.

The company said it would seek to implement any staff reductions through voluntary redundancy.

Chambers of commerce unite

A merger between North East England's three Chambers of Commerce, Trade and Industry has been agreed in principle, the first ever joint meeting of members of the Tyne and Wear, Teesside and Northumberland-based Tynedale Chambers.

Tehran service

British Airways is to re-introduce flights to Iran next month. The twice weekly service to Tehran from London Heathrow will be the first time the carrier has operated the route since 1985.

CONTRACTS & TENDERS

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TENDER ARE INVITED FOR THE SUPPLY OF THE FOLLOWING COFFEE INPUTS:-

		QTY
A. FUNGICIDES		
1.	CUPROUS OXIDE 50% WP	909 MT
2.	COPPER OXYCHLORIDE 50% WP	473 MT
3.	TRIADIMEFON 25% WP	88 MT
4.	*PROCHLORAZ 50% (MANGANESE COMPLEX)*	261 MT
5.	TRIADIMENOL 250 E.C.	12,500 LTS
6.	CHLOROTHALONIL 500 E.C.	52,000 LTS
B. INSECTICIDES		
7.	CHLOROPYRIFOS 48% E.C	159,000 LTS
8.	PROFENOFOLS 720 E.C. L	30,000 LTS
9.	PENITROTHION 50% E.C.	138,710 LTS
10.	ENDOSULFAN 35% E.C	84,000 LTS
C. HERBICIDE		
11.	GLYFOSINATE AMONIA	30,060 LTS
D. MECHANICAL INPUT		
12.	COFFEE TRAY WIRE	22,500 MTR

TENDER IN PLAIN SEALED ENVELOPES MARKED "TENDER FOR SUPPLY OF COFFEE INPUTS 1991/92" AND ADDRESSED TO:

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TANZANIA COFFEE MARKETING BOARD
PO BOX 732
MOSHI - TANZANIA

SHOULD ARRIVE NOT LATER THAN 10.00 AM LOCAL TIME ON MONDAY 1ST JULY, 1991

CONSIDERATION WILL ONLY BE GIVEN TO:

(A) PESTICIDES WHICH HAVE BEEN FULLY TESTED AND RECOMMENDED THE USE ON COFFEE IN TANZANIA

(B) PESTICIDES WHICH ARE REGISTERED FOR GENERAL USE BY TROPICAL PESTICIDES RESEARCH INSTITUTE ARUSHA (TPRI)

TCMB WILL NOT BE BOUND TO ACCEPT THE LOWEST OR ANY TENDER, TELEX TENDERS WILL NOT BE CONSIDERED.

DELIVERY IN PART-SHIPMENT WOULD BE PREFERRED

TENDERS WILL BE OPENED ON TUESDAY, 2ND JULY 1991 AT 10.00 A.M. LOCAL TIME IN KAHAWA HOUSE AT MOSHI

TENDER DOCUMENTS CONTAINING DETAILED CONDITIONS AND SPECIFICATIONS ARE AVAILABLE FROM THE GENERAL MANAGER OF TANZANIA COFFEE MARKETING BOARD - MOSHI. AT A FEE OF TAS. 5,000/= NON-REFUNDABLE.

COMPANY NOTICES

Ford

Following the DIVIDEND DECLARATION by Ford Motor Company (U.S.) on 11 April, 1991 NOTICE is now given that the following DISTRIBUTION will become payable on or after 19 June 1991.

Gross Distribution per unit	2.0000 Cents
Less 15% USA Withholding Tax	0.3000 Cents
	1.7000 Cents
Converted at $1.6525	£0.01028744

Claims should be lodged with the DEPOSITARY: National Westminster Bank PLC, 5th Floor, 21 Lombard Street, London EC3P 3AR on special forms obtainable from that Office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

DATE: 19.06.91

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In accordance with the provisions of the Note, notice is hereby given that for the six month interest period from 19 June 1991 to 19 December 1991, the Note will carry an Interest Rate of 10.5625 % per annum. The interest payable on the relevant interest payment date 19 December 1991 will be A$5,369.27 per A$100,000 Note

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LEGAL NOTICES

ADVERTISEMENT OF CREDITORS' MEETING UNDER SECTION 48(2) OF THE INSOLVENCY ACT 1986

Company No 1628878

Metropolitan Real Property

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at Shelley House, 3 Noble Street, London EC2V 7DQ on 1 July 1991 at 11.00 am for the purpose of having laid before it a copy of the said report prepared by the Administrative Receivers under Section 48 of the said Act. the meeting may, if it thinks fit establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors are only entitled to vote if:-

a) they have delivered to us at the address shown below, no later than noon on 28 June 1991, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address mentioned, photocopies (including faxed copies) are not acceptable.

Date: 11 June 1991

C J HUGHES & J M IREDALE
Joint Administrative Receivers

Cork Gully
Shelley House,
3 Noble Street
London EC2V 7DQ.

Note:
Creditors may obtain a copy of this report, free of charge, on application to the Administrative Receivers at the address shown above.

NOTICE OF MEETING OF CREDITORS
GEE PAGE LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN, in pursuance of Section 48 of the Insolvency Act 1986, that a meeting of the creditors of the above-named Company will be held at the offices of Buchler Phillips & Co, 84 Grosvenor Street, London, W1X 9DF on 21 June 1991 at 10.30 am for the purpose of having an account laid before them, showing the events leading up to the appointment of the Joint Administrative Receivers, the manner in which the administrative receivership has been conducted and the property of the Company disposed of, and hearing any explanation that may be given by the Joint Administrative Receivers

Creditors whose claims are wholly secured are not entitled to attend or to be represented at the meeting. A person is entitled to vote at the meeting only if;

a. he has given to the Receivers, not later than 12.00 pm on the business day before the above day fixed for the meeting, details in writing of the debt that he claims to be due to him from the company, and this claim has been duly admitted by the Receivers, and

b. there has been lodged with the Joint Administrative Receivers at Buchler Phillips & Co, 84 Grosvenor Street, London, W1X 9DF a proxy which the creditor intends to be used on his behalf.

DATED this 6th day of June 1991

IAN PETER PHILLIPS
Joint Administrative Receiver

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BUSINESS LAW

The lords on civil rights and wrongs

By Anne de Moor

MANY on the left and centre of the UK political spectrum – including those associated with the Charter 88 constitutional reform movement – have backed greater European integration in the belief that it would lead to a greater protection of "fundamental rights" in Britain. Is this belief reasonable?

There is no doubt that the constitutional settlement embodied in the Treaty of Rome and fleshed out by the European Court of Justice affords greater protection of fundamental rights than that which resulted from the Glorious Revolution of 1688.

This is because it is fashioned on the continental European model, ie on the concept of "state", which incorporates two notions providing a platform from which rights derive. First, that the executive power is an emanation of the nation; and second that the nation is the state and the people are citizens with rights.

The replacement of "the crown", as a collective term for whole or part of the machinery *of government*, by *"the crown-in-parliament"* in the evolution of the UK's "unwritten constitution" stifled the development of a notion of "state".

In the UK, rights are "our rulers' possession, rationed to us as subjects rather than being our own inalienable possession as citizens". Rights are not innate, but given to us by parliament (or rather by the government which controls it) in legislation.

The courts do have an independent residual power to articulate rights inherent in the common law. But no less than those of legislative origin, these common law rights are "made", and hence precarious unless and until their existence has been confirmed by the courts.

Furthermore, executive power in the UK is an emanation not of the state or nation, but of parliament. Any legitimate exercise of this power is by definition action authorised by statute.

Hence, the courts' response to complaints by an individual about governmental action typically is to examine whether the action falls within the boundaries drawn by the empowering statute, not whether the individual's rights against the state have been infringed.

Clearly then, the constitutional formula of "the crown-in-parliament" has prevented the UK courts from becoming effective custodians of citizens' fundamental rights in Britain. But it should not hinder UK courts in cases involving "European Community rights": national courts are supposed to deal with these as "Community courts".

Community rights are "directly effective". As Community courts, British courts ought to recognise that the people of the UK in effect acquired citizenship of the "European state" on joining the European Community. This means, first, that the courts are invited to view complainants as citizens with rights, some articulated in the Treaty of Rome, others unwritten. Second, they are called on to treat national governmental action which implements Community policies as "European state action", to be controlled as such by reference to the citizens' rights against the state.

There is no doubt that the constitutional settlement outlined in the Treaty of Rome and fleshed out by the European Court of Justice is more conducive to the protection of rights than that resulting from the Glorious Revolution of 1688

The initial decision of the House of Lords in the recent case of *Factortame* illustrates the UK courts' reluctance to assume the role of "Community courts".

At issue was domestic legislation, the Merchant Shipping Act 1988, which was designed to prevent companies controlled by foreign interests registering their fishing vessels under the British flag in order to gain access to the British "fish quota".

Several companies owned or controlled by Spanish interests claimed before the British high court that, pending a decision of the European Court on the compatibility of the Merchant Shipping Act 1988 with Community law, they had a right to continue to have their vessels registered as British; and that enforcement of the new legislation against them would amount to a violation of several of their specific Community rights and of their "fundamental rights" in general.

The law lords quite properly referred the issue of a possible suspension of a UK statute to the European Court for guidance, but not before setting out their own view of the legal position.

First, they equated the European Court's projected review of the Merchant Shipping Act with the UK's own judicial review procedure. This was aimed at ensuring that the UK legislation remains within the boundaries set by the "higher" European law.

This reasoning seemed designed to render ineffective the aggrieved Spanish fishing companies' reference to their rights: as their lordships suggested, national legislation is surely presumed to be compatible with European law until declared outside the set boundaries and thus void.

Second, it was mooted that to suspend the national legislation would be tantamount to allowing the fishing companies to claim rights which did not officially exist. The argument that "Community rights are part of the legal heritage of every citizen of a member state of the EC", and that "they arise from the treaty itself and not from any judgment of the European Court declaring their existence" was considered, but found wanting.

The European Court of Justice, when it came to hear the *Factortame* case, did not address the precise constitutional issues which the House of Lords had raised. It simply referred to its previous case-law which established that, where Community rights need protecting, the question is not whether national legislation has been declared invalid or not; it should simply be held inapplicable, being irrelevant to the enforcement by the national court of these rights.

It further suggested that the technical rules of UK law which prevented the companies from taking advantage of the appropriate remedy for safeguarding their rights should be set aside by the UK court.

As a result, the House of Lords, only days after the European Court opinion, granted the companies the means for avoiding the application of the vexed statute. The decision was immediately hailed as the definitive vindication by the UK's highest court of the "new constitutional settlement".

Since then, however, doubts have arisen about its importance. When they later gave their reasons for their decision the law lords brushed aside suggestions which had been made in public that to uphold the power of the UK courts to override national legislation in this way would be a novel and dangerous invasion of the sovereignty of parliament.

The law lords said the UK had effectively accepted the supremacy of EC law over national law when parliament passed the 1972 European Communities Act.

Moreover, the House of Lords played down the relevance of the EC constitutional settlement to UK law by distinguishing strictly between the jurisdiction of the UK courts under English law and their jurisdiction under EC law.

So it seems that even if the decision does express the acceptance by the UK's highest court of the European constitutional structure, it may still not herald the crumbling of the UK's *traditional framework* – and therefore, it does not herald a new and more effective protection of fundamental rights in Britain.

UK courts may strive to limit the scope of the new EC constitutional settlement by interpreting narrowly the notion of "Community rights" as rights which relate purely to "Community action" by government, ie. action implementing Community policies.

Yet, it is doubtful whether such a policy of containment could be successful. The development of European law over the past 10 years has revealed how imprecise and flexible is the notion of "Community action" or "Community policy". The time has gone too when European rights were automatically assumed to be exclusively economic rights.

The author is a fellow of Somerville College, Oxford.

TECHNOLOGY

As ICI reviews its R&D activities this week, **Clive Cookson** assesses the effect of a bid from Hanson

An experiment in chemical defence

Eighty senior scientists and research managers from ICI, the international chemicals group, are meeting at Harvard University in the US this week for a forum on "New Frontiers in Science".

The researchers come from ICI businesses in North America, continental Europe and Japan as well as from the company's home base in the UK. They are assessing ICI's current research programmes and how these might benefit from advances in the wider scientific world. Fifteen external guests – leading US university scientists – have signed non-disclosure agreements and are joining in the confidential discussions.

Although the future of the company is not on the formal agenda, many participants are aware that there might not be such an ICI science forum in 1993 – and certainly not such a wide-ranging one – if Hanson makes its much-rumoured bid for the group and then splits it up.

ICI's record as a research-intensive, science-based group would be a central issue of any takeover battle. ICI spent £679m on R&D in 1990 and Peter Doyle, research and technology director, expects this to edge up to around £700m this year. Its R&D budget is the largest of any UK-based company, though at 5.3 per cent of turnover it is in line with other international chemical groups.

This year's ICI science forum is the sixth event of its kind. The first meeting took place in 1981 and there have been similar *conferences in alternate* years since then.

Topics on the Harvard agenda include: advances in molecular science and biotechnology; new discoveries in brain science and neural networks; "visualisation" of the real world in television, computers and engineering; relationships between synthesis, structure and function in materials science; and extreme environments, both natural and man-made.

Where ICI differs from many other science-based multinationals is that it has no central corporate laboratory for conducting "basic" or "strategic" research. Traditionally about 10 per cent of a company's R&D budget is spent on strategic research in its corporate laboratory.

Doyle's predecessor, Sir Charles Reece, disbanded the corporate laboratory in Runcorn, Merseyside, in the early 1980s and distributed the scientists and their functions around ICI's operating divisions. The most important transfers were of the animal genetic engineering and biotechnology specialists to ICI Pharmaceuticals in Alderley Park, Cheshire, and the plant *scientists to the agrochemicals* and seeds research station at Jealott's Hill, Surrey. "I'm pleased with the way we have successfully integrated biotechnology in pharmaceutical research," Doyle says.

The only central function left in Runcorn, reporting directly to Doyle, is a group of 35-40 researchers in colloid science. There is also a group environmental laboratory in Brixham, Devon, and the central toxicology laboratory in Alderley Park.

To ensure that ICI benefits from what Doyle calls "corporateness" – ensuring that all parts of the group can make use of good science wherever it arises – he is building on the network of internal scientific committees set up by Reece. "If ICI is to get the benefit of its investment in science, that has to *transcend business boundaries*," says Doyle.

The most important committees are four "science strategy groups", each containing a dozen senior ICI research managers and meeting four times a year. They represent "the four main technologies that we need to preserve in a state of good health": biosciences and biotechnology; materials; chemical synthesis and catalysis; and process technology.

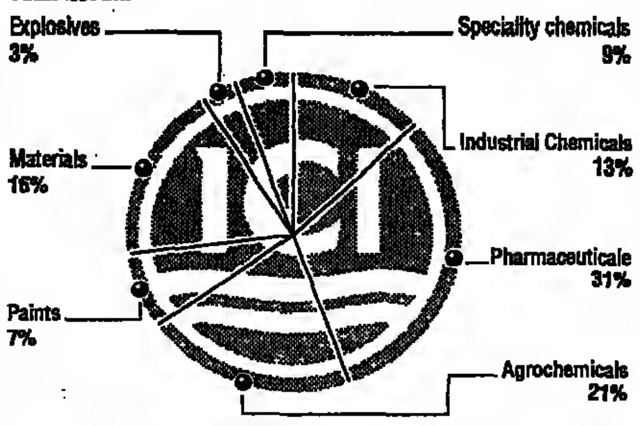
In addition Doyle conducts an "in-depth strategic review" of the research and technology requirements of each ICI business, once every two to three years.

ICI's total R&D spending has increased by about 15 per cent a year over the past decade. Looking ahead to the 1990s, Doyle "predicts continued real growth but at a more modest level than in the 1980s".

The growth has focussed on the "bio" fields of pharmaceuticals and, to a lesser extent, agrochemicals and seeds. Together these now account for more than half of ICI's research spending and their share is likely to increase further over the next few years.

RESEARCH AND DEVELOPMENT SPLIT 1990

Total £679m



Some analysts believe that ICI Pharmaceuticals has lost momentum in recent years and *lacks an attractive portfolio of* potential drugs in its R&D pipeline. Doyle, who spent the first 14 years of his ICI career in pharmaceuticals, rejects that view. *He says the business* is developing many promising drugs, particularly in the cancer and cardiovascular fields. "In the development portfolio we have six anti-cancer drugs, all with different modes of action."

Doyle also rejects the view that the pharmaceuticals business would fare better if it were separated from the rest of ICI and merged with another large drug company. He insists that both pharmaceuticals and agrochemicals benefit from being part of one chemicals group, through sharing common technological tools – such as molecular modelling equipment and biochemical databases – and through making use of one another's discoveries.

Fungicides are the best example of the two-way inter*change of ideas in ICI, he says.* Pyrimidine compounds, used as fungicides for cereals, came originally from pharmaceutical research. Conversely triazole compounds, developed by the agrochemical business, have given pharmaceuticals a potent *systemic fungicide.*

When ICI directors are asked to give an example of a promising new science-based business, they always quote ICI Seeds. *The company has spent* more than £200m over the last five years buying a global network of agricultural seed companies and is now applying its biotechnology skills to them. The hope is that in the next century ICI will have a multi-billion pound business selling seeds for crops with new characteristics such as better yield and quality and higher resistance to disease and bad weather.

It is too soon to judge the commercial success of ICI Seeds. But it is already clear that advanced materials – which five years ago were ICI's other great hope for a new science-based business – will not live up to their *original* expectations. The company is expected to dispose of parts of the materials business later this year as part of its restructuring programme.

Even so, Doyle says: "I believe it's very important to have a presence in materials." ICI's research is likely to shift from the traditional emphasis on the mechanical properties of materials – strength, durability and flexibility – and focus more on materials with special properties for specific applications such as storing electronic images and computer data.

If ICI *survives* in anything like its present form, it will continue to produce some bulk chemicals. Research here will focus on process technology, *designed* to reduce the huge costs of building and running chemical plants, Doyle says. For example the capital investment required to build ICI's next PTA (*pure terephthalic* acid) plant will be cut by at least 30 per cent through this work.

What, then, is Doyle's vision *of ICI in the year 2000? "First* of all it will be a leading integrated chemical company. It will have by then a much larger pharmaceutical business than today with a solid presence in biotechnology, a continuing strong agrochemicals business and a successful, profitable and substantial seeds business."

Another growing global business based on bioscience will be Quorn, a vegetable protein based on the micro-fungus Fusarium graminearum. Quorn is already on sale in most UK supermarkets and ICI is about to invest £20m on a large-scale fermentation plant to produce it for the world market.

Doyle hopes that biodegradable plastics will become another important part of ICI's business. The current product, Biopol, is too expensive for *commercial* use on a significant scale.

"If I really tempted fate, I'd like to see us with a bigger business in sophisticated inorganic oxides," Doyle says. This could be based on Tioxide, the titanium dioxide manufacturer which became a wholly-owned ICI subsidiary last December. It would make zirconia (an important material for fuel cells), a range of oxide catalysts – and possibly also high-temperature superconductors.

Finally, Doyle sees a business opportunity for ICI in safety air bags for passengers in cars, coaches and aircraft. This is an application of the company's explosives technology. Within 0.04 seconds of a collision, a controlled mini-explosion of sodium azide (a compound of sodium and nitrogen) fills a protective nylon bag with nitrogen gas.

Competition threatened from the enemy within

If GPS receivers go on the US munitions list their commercial future will be lost, writes **Louise Kehoe**

Last *month,* Charlie Trimble, president of Trimble Navigation, led Robert Mosbacher, US commerce secretary, on a tour of *his California factory. The* commerce secretary praised Trimble's export record and lauded the manufacturer of global positioning system (GPS) receivers *as a model of* US competitiveness.

This month, Trimble and executives of other US manufacturers of commercial GPS *navigation equipment are* mounting an industry effort to persuade the US State Department not to severely curtail GPS exports by placing their most advanced products on the "munitions control list".

Caught up in this inter-agency government conflict over whether to encourage or discourage exports of GPS receivers is a small but rapidly expanding high-technology industry in which US companies currently dominate.

The global positioning system was originally designed for use by the US military in navigation and tracking. The system relies upon a network of satellites that transmit posi*tion signals.* By *triangulating* the signals from three or more satellites, it is possible to pinpoint the location of a receiver or to track the path of a mov*ing target.*

GPS proved its military value in the Gulf war when allied troops used portable GPS receivers to find their way in the featureless Saudi Arabian desert. Tens of thousands of GPS receivers were airlifted to the Gulf to fill their needs.

The commercial potential of GPS is, however, far broader. GPS promises to enhance commercial marine and aircraft navigation. Experts have claimed, for example, that the Exxon Valdez disaster could have been avoided had the tanker been equipped with a GPS receiver which would have raised an alarm the moment the vessel left the shipping channel.

GPS is also expected to create a multi-billion dollar market for vehicle tracking and navigation, *enabling fleet operators* to keep track of vehicles and car drivers to find their way on electronic maps.

US companies lead the $260m (£160m) world market *for commercial GPS equipment,* according to a survey recently completed by Stephen Colwell, chairman of the Global Positioning System *Association, a trade group for* GPS manufacturers and users. About half of the US industry's products are exported. Cumulative sales over the next *five years will total more than* $6bn, Colwell projects.

The threat of export restrictions has, however, cast a cloud over the future of the GPS industry. US GPS manufacturers find themselves in the middle of a political debate over export controls on "dual use technology"; equipment and materials that have military and commercial value.

> The fear that enemy forces might use GPS to pinpoint US targets is the overriding concern

US high technology industry executives argue that the best way for the US military to be *sure of having access* to the most advanced technology is to ensure that US companies maintain their international competitiveness in commercial markets. To do that, the industrialists say they must be free to export their products.

Munitions list export controls apply unilaterally only to US-made products, while competitors in Europe and Japan may be free to export their products. Such controls are particularly damaging to US interests, industry groups maintain. Yet the fear that enemy forces might eventually use GPS to pinpoint American targets is the overriding concern that will ultimately shape US export policy, industry executives acknowledge.

As a leader in GPS receivers, Trimble has played a key role in forming an industry council which is working with government officials to seek a compromise on export controls.

Rather than mounting a lobbying campaign to build congressional support, the indus*try is taking a* "non-confrontational approach," says Trimble. By explaining the value of GPS in commercial applications and finding *ways for the military* to *ensure* that adversaries could not take advantage of the system, the industry group hopes to avoid a broad export ban, he explains. "*We are making* progress," Trimble claims.

Finding a formula to please both military and commercial interests will not be easy, however, because commercial GPS receivers are now available that are more accurate than the equipment that is purpose-built for the military.

Pentagon plans to deliberately degrade GPS signals to give US military users an advantage over others who tap into the system can be effectively circumvented by the latest commercial equipment.

The rapidly expanding market for GPS receivers is also steadily usurping the Pentagon's control of the system. *Placing a "road-block"* on exports of receivers would do nothing to change that situation, US manufacturers argue, because much of the pressure for expansion of civilian applications comes from within the US, from agencies such as the Federal Aviation Administration and the US Coast Guard.

Export controls could also have the unintended effect of giving Japanese and European producers a free reign in the world market for GPS receivers, while their US competitors have their hands tied.

As Washington's policy makers struggle to resolve conflicting concerns over GPS export controls, they cannot afford to ignore the lessons of the Gulf war. It was civilian-style GPS receivers, designed for use on private boats and aeroplanes, that guided allied troops in the Gulf. And it was commercial GPS producers, rather than military contractors, who met emergency orders for tens of thousands of GPS units.

Persuaders gear up for challenge to EC regulators

Andrew Hill and **Alice Rawsthorn** report on the potential impact of a series of draft directives

The professional persuaders in Europe's advertising industry will need their full powers of persuasion this summer as they prepare to challenge the plethora of legislation on advertising regulation now being considered by the European Commission.

In recent weeks the advertising industry has watched Brussels approve one draft directive to limit comparative advertising ("Blanko washes whiter than Whito") and another which would ban almost all forms of publicity for cigarettes and tobacco products.

More directives covering different areas of advertising, including food and pharmaceuticals, are in the pipeline. The old system of leaving regulation to the discretion of individual member states, seems certain to change.

The international advertising industry is therefore facing the threat of curbs at the same time that the US advertising market is in recession and the European market is slowing down. The tobacco groups, food manufacturers, pharmaceutical companies and other advertisers that may be affected by pan-European advertising regulation could be forced to scrap their present marketing strategies.

One of the main problems for the advertising industry in lobbying against proposed regulation is the piecemeal nature of the legislation. Unearthing a Brussels bureaucrat prepared to admit responsibility for EC advertising policy – if there is such a thing – is proving tricky.

Internal market officials say that they look at "broad and general" issues of advertising policy. But proposals to ban tobacco advertising actually came from another department – social affairs, which is responsible for health. Plans to regulate comparative advertising and to shelter Europeans from the marketing ploys of unscrupulous mail-order companies come under the aegis of Karel Van Miert, the commissioner responsible for consumer protection.

In the past, EC directorates as diverse as agriculture, financial services, telecommunications and even transport (which made an – unsuccessful – attempt to restrict car advertising) have all tried to contribute to the Community's patchy advertising legislation.

A few weeks ago the European Advertising Tripartite (EAT) – the Brussels voice of EC advertisers, agencies and media – wanted to ask a Eurocrat whether there was a central Community policy on advertising. It hedged its bets by picking David Williamson, Commission secretary-general, who is responsible for all 23 directorates. He told the EAT that there was no such centralised policy.

Internal market officials, who come nearest to claiming jurisdiction over the area, believe there may be a need for further clarification of the Commission position, but reject the advertising industry's grandiose claims that Brussels is restricting "commercial freedom of speech".

"We have in principle a very liberal approach," says one. "But this does not mean that we do not have to regulate specific aspects of advertising. We are trying to harmonise national rules."

PLANNED EC LEGISLATION

SUBJECT	STATUS
Comparative advertising	Commission proposal
Claims in labelling and advertising of food	An old proposal from 1981 is being revived; a consultative document may be circulated soon
Advertising of tobacco products (total ban)	Proposal adopted by commission
Protection of young people	This proposal is part of the Action Programme on the Social Charter, a consultative document is expected in the summer of 1991,a formal proposal by end 1991
Copyright and broadcasting	Working document circulated

Source: European Association of Advertising Agencies

Internal market officials cite harmonisation as the first argument for regulating advertising on a community-wide basis. Harmonisation also crops up as a justification for both the comparative advertising directive and the ban on tobacco publicity.

Their second argument is that clauses on advertising need to be added to existing directives regulating product sectors – such as labelling for pharmaceuticals or food – for the sake of consistency. Officials claim there is a logical chain of events: regulation starts with tha product itself, then moves on to the information on the label – to prevent misleading statements being made about its properties – and, finally, to the advertising.

But the advertising industry is undoubtedly worried that this logic will take Brussels to the edge of a slippery slope, leading to further restrictions. Rigid harmonisation of national legislation, the advertising lobbyists argue, could undermine the industry's tradition of self-regulation, expressed in flexible and negotiable codes of conduct observed by all sides.

For their part, Commission officials deny that measures taken so far herald further directives on, for example, the advertising of alcohol or children's war-toys, both of which are restricted by national legislation in some European countries.

"France has discussed prohibition of alcohol advertising, and this debate is undoubtedly being watched by people in the Commission, but there are no proposals," says one internal market official.

However, it is easy to see how the industry's concerns arise. The ban on tobacco advertising started as a more modest proposal to limit what could be shown in advertisements for tobacco prodncts. That was thrown ont by health ministers last year, and the current plan will also have a rough ride from member states.

But advocates of the directive believe opinion is turning in favour of a ban. "It probably won't come this year but I am confident that within the next couple of years ministers will approve the directive," says one official in the social affairs directorate.

Advertising agencies suspect that similar trends might also persuade the Commission to come forward with further health-related directives, perhaps backed by the European Parliament, which has been a staunch supporter of the tobacco advertising ban.

"We feel that the proposals that are coming out, and ones that are still on the bomb-rack, are being rushed through without as much thought as in the past," says Alastair Tempest, EAT's director-general.

The threat of a flood of pan-European regulation comes at a precarious time for the \$50bn European advertising industry. Europe's advertising agencies are already struggling with the recession in the UK and are experiencing markedly slower growth in other countries, notably France and Spain.

Many agencies had been hoping that the creation of the single market would act as a catalyst to accelerate marketing activity across the community after 1992. In crude commercial terms the prospect of restrictions on particular types of advertising means the agencies face the threat of forfeiting revenue when they can ill afford to.

In some sectors, such as tobacco, the EC could ultimately impose a ban on advertising. The Advertising Association in London estimates that such a ban could cost £200m in lost revenue. In other sectors legislation may force advertisers to disclose so much information that it would no longer be practicable for them to advertise at all.

For instance, under the present proposals for pharmacentical companies, details would have to be included of all the possible risks and side effects associated with their products.

The agencies are also concerned about the risk of being trapped in a labyrinth of unwieldy legislation. This concern has been aggravated by the time that member states have taken to implement past legislation such as the directives on misleading advertising and cross-frontier broadcasting.

"The single market should create a dynamic marketing scene and the advertising industry will need to be equally dynamic," says Patricia Mann, director of external affairs at the J Walter Thompson agency in London. "It is very difficult to be dynamic within a rigid legislative framework."

As for advertisers, the prospect of restrictions on their marketing activities has varying implications for different product sectors.

The tobacco industry, for instance, might benefit from a pnblicity ban. First, the tobacco companies could save the £200m they usually spend on marketing in Europe every year. Second, a ban would make it very difficult for newcomers to enter the market, thereby protecting the interests of the established players.

Conversely, regulation could pose serious problems for a sector, like food, which is more dependent on new product development. One set of proposals on food labelling strictly limits the type of product claims that can be made. This might mean that food companies faced the opposite problem to their counterparts in pharmaceuticals in that they would be allowed to disclose too little information.

Whether the advertising indnstry likes it or not, the saga of the European Commission and its piecemeal policy for advertising regulation has only just begun.

Nordica may spearhead sports retailing revolution

Haig Simonian on the next step for an Italian ski boot maker

Nordica, the Italian ski-boot maker bought by the Benetton family two years ago, could soon change the pattern of sports retailing in a move similar to the revolution in casual clothing set off by the Benettons themselves 25 years ago.

Based in a remote corner of north-eastern Italy, Nordica, which had sales of only around L300bn (£137m) last year, seems an unlikely candidate for the job. But since the Benettons moved in and installed Silvano Storer, the former director general of the rival Stefanel clothing group, as chief executive, Nordica has been following an extensive expansion strategy.

Acquisitions of other leading sports brands constitute the first part of its strategy. However, tha signs are that pushing into retailing may well be the second.

In the past 10 months, Nordica, or Edizione Holding, the Benetton family holding company which controls it, have bought either full or partial ownership of Prince, the leading US tennis racquet maker, and Kästle, the Austrian ski-maker.

Smaller purchases heve included Asolo, an Italian producer of hiking and climbing boots; Moda Solaris, also Italian, which makes sports sunglasses; American Ball, a small US golf ball producer; and Rollerblade, the leading US maker of in-line roller skates (which have 4 wheels in a row rather than one in each corner).

Nordica has also grown organically. From ski boots – of which it remains the world's biggest manufacturer – it has spread into ski and leisure clothing.

Sales of its clothing ranges, only introduced last year and now covering both the summer and winter seasons, should reach more than L30bn this year.

Its strategy is not unique. Other sports goods makers, notably in the ski business, have been using acquisitions to broaden their ranges and reduce their dependence on fickle European snow. Diversification has also helped cash flow among ski companies by evening out income flow from the winter season to cover the whole year.

However, the scope of Nordica's acquisitions – both geographically and in terms of the sports covered – is far wider than that of any counterpart.

Luciano Benetton, the Benetton group's managing director, has made no secret of his belief in the importance of sport, both for health and as a future source of profit. That commitment has been underlined by an active corporate sponsorship programme.

"The Benetton family believes that the next 20 years will be the years of sport," says Nordica's Storer. "We will have more sport as we will have more free time."

Storer is fully aware of the problems in retailing sports goods. "The marketing is very old," he says. To bring techniques up to date would need changes in displays, store management and the way products are handled.

Retailers must provide a full range of brands

"We have these techniques. The consumer is waiting for new proposals." However, he is reluctant to say whether Nordica will break into retailing.

For a start, the company still needs to make more purchases to cover all the major sports; golf is the most obvious missing link. But even when its range is fully covered, it will still face some additional hurdles.

Its research shows that having a wide choice is a particularly important factor in retail sports purchases. So any retail chain must provide a full range of leading brands within each sport to be successful.

Thus any manufacturer wanting to break into retailing, whether directly or through a franchise-type operation, would have to stock goods from top competitors.

That will require the co-operation of Nordica's competitors. While some, notably in struggling sectors like ski equipment, may be happy to go along with any scheme that might generate additional sales, others may disagree. In the UK, relations between Blacks, which both distributes the LA Gear brand nationally and sells it through its own retail chain, and Olympus, have soured for similar reasons.

Nordica's reluctance to discuss its plans is also based on the knowledge that any attempt to change retailing, and especially distribution, practices will have to function alongside the existing system, at least in the short term until a new retail chain is built up. And any manufacturer setting up a new sports network would have to tread carefully so as not to upset existing relationships with retailers.

However, it may not be long before Nordica's retailing plans become clearer.

One early step will be if the company starts marketing the Nordica name as the overall brand for the family of leading sports makes it has assembled.

That would establish greater familiarity among consumers with Nordica brand products, largely at the expense of the retailer.

Company research shows that the salespersons's role is particularly important in sports goods.

Nordica says that 55 per cent of all sales of sports equipment is decisively influenced by the salesperson – a much higher proportion than in many other consumer products, notably clothing. So increasing consumer awareness would be essential.

One early step to "improve the balance between the company and the consumer", could be to develop special Nordica "corners" or "shops within shops" in big stores, admits Storer.

Those would familiarise consumers with the group's brands, and lower its dependence on the individual retailer.

A full-scale high-street franchising operation is still some years away, and even then not a foregone conclusion.

But it is already clear that the strategy of assembling a group of top sports brands shows that Nordica – and the Benettons behind it – would also like to play a leading role in exploiting new ways of selling those goods too.

ARTS

CINEMA

A question of identity

Ever since that poster proclaiming that Sean Connery *was* James Bond, the verb "to be" has been vital to movie presentation and movie culture. Take this week. Robbie Coltrane *is* His Holiness in *The Pope Must Die*. E.M. Forster *is* the British film industry, or what is left of it, in *Where Angels Fear To Tread*. And the silly season *is*, incontrovertibly, upon us as we swing into those weeks when battle-fatigued distributors realise that most viewers will be deserting them for Wimbledon, the Test Matches and the summer holidays.

The word "is" is what cinema should be about. It proposes a blazing immediacy and an unquestioned identification between signifier (actors and settings) and signified (roles and places). But in a week like this, there are plenty of "isn'ts" too. British cinema, to begin with, isn't going anywhere with its early-summer two-pack of a would-be zany comedy and an Edwardian period piece. *The Pope Must Die*, co-written and directed by Peter Richardson, is almost wondrous in its piteousness: a romp by TV's Comic Strip gang in which Robbie Coltrane's humble Italian priest, working in an orphanage, is mistakenly raised to Popehood and as swiftly lowered back into anonymity.

Comic Strip are best when most parochial: when recreating the British miners' strike or Ken Livingstone's GLC with e little help from Al Pacino or Charles Bronson. Here they broaden and blunt their comic aim beyond repair. Fifth-form irreverence – ooh look, Vatican priests smoking, drinking and playing poker – vies with crass injections of sentimentality: notably in the scenes with Salvatore Cascio (the boy from *Cinema Paradiso*) as a liquid-eyed child yearning through the orphanage gates for Pope Robbie's return.

When not passing out with boredom in this film, we are reaching for the sickbag. (And where are Comic Strip stalwarts like Dawn French and Jennifer Saunders?) No such emotional extremes in *Where Angels Fear To Tread*, where the E. M. Forster school of British cinema, lifting its skirts above the mire of modernity, takes its latest outing.

Destination: Italy. Plot: mnch the same as in *A Room With A View* except that this time the central romance – between English widow Helen Mirren and young Italian gold-digger Giovanni Guidelli – brings e baby and many moral beadaches for the fellow characters. These, rushing into Italy alongside director Charles (*A Handful Of Dust*) Sturridge, inclnde Mirren's young chum Helena Bonham Carter and Mirren's brother and sister in law, Rupert Graves (with moustache) and Judy Davis (without).

The Tuscan scenery is pretty; Davis brings e twanging wit to her spinster sister role; the dialogue has the right Forsterian heft. And once you realise that the music will not drown you, despite composer Rachel Portman's best efforts, there are modest pleasures to be had. Unfortunately they onstay their welcome. 110 minutes is too long for this slender moral comedy, and as the talking heads multiply, Sturridge fails to conjure the visual magic with which James Ivory makes period conversation scenes hum with present life. In *A Room With A View* or *Maurice* at their best, the narrative tense is no stately "was" but e jewelled, continuous "is".

Mr Ivory is shooting *Howard's End* even as we speak; after which, like North Sea oil, the Forster cannon looks like running dangerously low. Question: Can British cinema survive without *it*?

Another question. Are there any internationally bankable British directors left in Britain? Certainly not Michael Apted, who fled Pinewood for Hollywood to find fame with *Coal Miner's Daughter* and is still mining a lucrative seam of tinsel in *Class Action*. In a normal week this star-vehicle courtroom drama, with Gene Hackman and Mary Elizabeth Mastrantonio as father-daughter opposing counsels in an industrial misadventure trial, would be footnoted as glossy minor entertainmant. This week it seems almost a masterpiece.

Robbie Coltrane in 'The Pope Must Die'

THE POPE MUST DIE
Peter Richardson

WHERE ANGELS FEAR TO TREAD
Charles Sturridge

CLASS ACTION
Michael Apted

KING OF NEW YORK
Abel Ferrara

STATE OF GRACE
Phil Joanou

A KISS BEFORE DYING
James Dearden

Wa know the plot is potty. Here is Mr Hackman with designer-crumpled blue shirt earning his heroic crust by defending oppressed minorities. And here is Miss Mastrantonio bringing home the gilt-edged bacon by defending rich yuppies. (Hiss!) When parent and child clash in a motor-companies merger case, the excitement is so great that poor old Mum keels over on the courthouse steps from e heart attack.

The audience itself, though disinclined to keel over, is certainly intrigued. Not so much by who will win the case as by how long director Apted and designer Todd Hallowell pondered over their plans for the film's rich-man-poor-man visual strategy before deciding to throw out all hints of subtlety. Miss M's law-firm office is e sun-pierced ziggurat about five miles above street level, whila Hackman works in e lightless, book-stuffed, surreally unkempt den he might rented from the Nibelungen. Yes, we get tha point: overweening wealth versus hard-working selflessness. But need the contrasts have been quite so loudhailed?

★

King Of New York, *State Of Grace* and *A Kiss Before Dying* are the week's bang-bang films. The first, directed by Abel Ferrara, is a series of shoot-outs in search of soma connective narrative tissue. At first we hope Christopher Walken will provide it, as the lizard-faced drug baron living it up in the Plaza Hotel with a posse of wild ethnic sidekicks. (Cancel my reservation). But he comes and goes like everything else in this movie, as wa sashay through car chases, monsoons of blood and the kind of language undreamt of by E.M. Forster. *State Of Grace*, no less foulmouthed, shows what happens when New York's Irish try to muscle in on New York's Italians. Gang leader Ed Harris, his hotheaded brother Gary Oldman and cop-in-disguisa Sean Penn are the leading lights of Cosa O'Nostra as they first woo, then try to wipe out their "wop" brethren. (Their term not mine). Director Phil Joanou, mad for slow-motion, choreographs the film like a series of soccer action replays. Result: a moody, overearnest thriller never quite vitalised even by its a high-scoring body count. f made it Hell's Kitchen 3, Little Italy 148.

A Kiss Before Dying is a whodunit – no, e will-he-do-it-again – from writer-director James (*Fatal Attraction*) Dearden. Matt Dillon glooms through the story, based on Ira Levin's novel, about e poor boy hoping to take over Carlsson Copper by bumping off its identical-twin heiresses (Sean Young). In scene one he tips twin one from a high balcony. By scene umpteen he is still chasing twin two all over America. Many nods to Hitchcock, but not as many as the nods in the audience as they struggle stay alert for an over-styled, woodanly scripted romp.

But for the seriously sleep-deprived, the French offer Yves Robert's *My Father's Glory* (U, Lumiere) and Raymond Depardon's *La Captive Du Desert* (PG, Renoir). The first is a once-more-unto-Provence Pagnol story in the style of *Jean De Florette* and *Manon Des Sources*. Or rather, would it *were* in their style. M. Robert opts for glided insipidity in the Pagnol-based autobiographical tale of a young boy learning to love his Poppa, even though city-hred Poppa makes an endearing fool of himself on a hunting and shooting holiday. Ten for scenery, two for drama and characterisation.

Same score for *La Captive Du Dasert* (PG, Renoir), directed by photo-journalist Raymond Depardon. Sandrine Bonnaire wanders the Sahara with little water and less dialogue as a Frenchwoman held hostage (we never learn why) by Arab tribesmen. Totally gnomic, the film plays like out-takes from *Ishtar* assembled and edited by Samuel Beckett.

★

We began with the word "is" and we end, sadly, with the word "was". Bill Douglas, who died this week, was a brilliantly gifted original among British film-makers. His trilogy of autobiographical films – *My Childhood*, *My Ain Folk*, *My Way Home* – were thoroughly Scottish in their gritty narrative voice and thoroughly international in their beauty of image and wry tenderness of recall. He deserves a small but unique place in the history of British cinema.

Nigel Andrews

The White Devil

OLIVIER THEATRE

First, some simple advice from the godfather of Public Relations, Fiorentine ambassador Frencisco Gulcclerdini: "Always deny what you don't want to be known, and always affirm what yon want to be believed." One hundred years on, in 1612, John Webster wrote the drama to prove it. He decided to steal the plot for *The White Devil*, his first play, from the realpolitik of the Medici and the Orsini. It was an *inspired theft*.

The issues may have faded or taken a different slant, but Webster is still required viewing for the ambitious and the cunning. *The White Devil* is e litany of deceivings, promisings and calculations. It is annoying that this production serves him so dully.

The plot needs to be digested. The Duke of Brachiano is married to Isabella the sister of Francisco de Medici; but Brachiano loves Vittoria (The White Devil herself) and so arranges to have her bushand killed off while be poisons Isabella. His limber secretary Flamineo, brother to Vittoria, *prepares* the way. On hearing of their deaths, Francisco teams up with Cardinal Monticelso and has Vittorie arraigned for adultery and murder. She is sentenced but rescued by Brachiano. Meanwhile, Flamineo kills his own brother Marcello in a hot-headed brawl. The action ends when Vittoria and Flamineo are tracked down and killed by Francisco's henchmen.

Webster's shifting world settles occasionally into fixed tableaux, and this the production manages adequately. Vittoria's trial in a fractious courtroom is made by matching Montlcelso's misogynist invectiva *against* ber *protestations*. But the direction has not yet penetrated the densities of Webster's text. The play deals in psychological brutality of the subtlest order; Francisco's revenge on Brachiano is to give him "the deep sense of some deathless shame." The psychosexual murder of Vittoria et the end seems too obvious for Webster.

Josette Simon is disappointing as Vittoria the calculating courtesan; she scarcely ranges beyond sensuality or anger. Dhobi Oparei plays the unctuous Flamineo as a ponderous machinator, held upright by equal pressure from all directions until his nerve snaps and he kills his brother in pique. T.P. McKenna as the haugbty, flabby Francisco de Medici gets it right, sharing an icy outlook with Tristram Jellinek's cool Cardinal. Eleanor Bron as Isabelle bows graciously to circumstances, while Dennis Quilley as her libidinous husband Brachiano rages in the throes of death.

Dennis Quilley, Josette Simon and Dhobi Oparei

The best parts of the evening are Webster's adamantine slabs of varsa and Pbilip Prowse's fine set, which stays in touch with Webster in e way the actors do not. The design makes even the wide sweep of the Olivier feel claustrophobic. Its images come from Flamineo's dying words of bells and candlelight: a large bell-clapper hangs in a gold Brunelleschi dome, candles splutter in the background; a distant knell sounds sporadically. The marble floor and anthracite plinth support a black-draped altar; beyond that, a cut-away model basilica sits like an anatomical dissection. Period costumes complete the fine visuel appeal.

I hope this production will gather the intensity it needs to make the action look inevitable. It must locate the moments of calm in Webster's text; Claire Benedict as Flamineo's motber finds one such pause in the threnody for ber son. Without them, the slaughter seems like a meaningless guide to the Jacobean way of death.

Andrew St George

Troilus and Cressida

THE PIT, BARBICAN

An interesting rather than a riveting production of *Troilus and Cressida* has arrived at The Pit from the RSC's country base in Stratford. I have never found *Troilus* an entirely satisfactory play. A case can be made for saying that it is e masterpiece ebout the pointlessness of war, but that is not quite the same as proving that the piece holds up on stage. There are too many old, and indeed young, buffers in it for sustained drama.

Helen is a cipher with nothing much to say ebont anything. Cassandra – "our mad sister" – does not get much of e look-in. We never know why Calchas, the defecting Trojan and father of Cressida, decided to side with the Greeks. It is unpleasant that when Hector falls, Achilles does not defeat him on his own, but has him killed by the surrounding soldiers. Moreover, the play does not so much end as peter out.

To be sure, the cerebral case for arguing that all that illustrates the underlying futility remains, but you still have to demonstrate it in the theatre. There is another problem: in trying to show the length and pointlessness of the war, the piece itself can become over-long and repetitive. The RSC production, directed by Sam Mendes, does not overcome this. On the first night it lasted nearly 3¾ hours.

Amanda Root and Ralph Fiennes

Still, *Troilus* has its merits. They include the initial love scene between Troiius end Cressida, Cressida's subsequent hopping into the arms of the Greek Diomedes, the part of Pandarus who brings tbe lovers together, and Thersites, the scurrilous Greek who goes round commenting on the wars and lechery that be says are the fashion of the age.

All tbose are well done. Amanda Root is e wonderfully young Cressida: a Juliet who turns unfaithful. Norman Rodwey as Pandarus alternates between doing *The Times* crossword puzzle (the costumes are Edwardian) and voyeuristically egging ou the young lovers. Thersites is Simon Russell Beale, a busy body of an actor who has found his right role. Wetch him banging on the wall bars as be observes the betrayal.

There are other pleasures. You can see why Cressida falls for Diomedes as played by Grant Thatcher: all sophisticated charm and nothing of the buffer about him. Achilles listens to jazz while sulking in his tent with his male black lover, Patroclus. Paul Jesson is a very striking Ulysses, too wise and civilised to be mixed up with this bonch. At one stage he wonders on reading Plato's *The Republic*. Richard Ridding's Ajax is an impressive muscular oaf but, like the play, his part fizzles out.

I wonder if it was right to perform it on the small stage. True, it allows greater intimacy, but that is not only whet *Troilus* is about. It is about rituals and getting stuck in e groove. The characters don't have depth. Yet there are e lot of them about, there is a certain amount of action and it might be bolder to try it in the Barbican proper. As it is, this *Troilus* is for devotees, not for anyone seeking unmitigated delight. A really interesting play might be *Troilus and Cressida, Part 2*, but it would not be Shakespeare and even Part 1 is not everyone's idea of the Bard.

Malcolm Rutherford

Piano finals

ROYAL FESTIVAL HALL

These were the finals of what was going to be the first London International Piano Competition (in competition witb Leeds); but somewhere along the wey it bes become the Netional Power World Piano Competition, which sonnds odder. In fact it followed the usual contest-formulae. During the past couple of weeks, some 50 pianists under 30 years old had been whittled down to the final challengers, *via* mini-recitals of pieces chosen partly from prescribed lists: 20 minutes each in the first round, half-bours for the second and 50 minutes each for the semi-finals. On Tuesday, the finalists got to play concerti with Jesus Lopez-Cobos and the Philharmonia.

It was puzzling to bear Richard Baker introduce the contest as one of the "most prestigions" of its kind, since it has just come into existence – bnt perhaps he meant only that the Princess of Wales was going to hand out the prizes. The finals did attract a large, keen audience, but musical prestige, however, must wait upon the Competition's treck-record. There was a collective gasp from that keen audience when the internetional jnry – largely unknown excapt to other international jurors – awarded a mere tbird prize to the one immediately interesting musician among the finalists.

First prize went to Chiharu Sakai, almost 30 and evidently well-taught, wbo played the G minor Concerto of Saint-Saëns. She has good, clean fingers and plenty of innocent good sense – though she over-pedalled, and her penchant for swan-like movements of the arms indulged too many delays, and finally she expended too much sincere "feeling" upon the music.

Its first movement is salon bow-wow (Franck-and-weter), the Finale salon-gypsy. The work owes its survival entirely to its fleet Scherzo, which is – or can seem – irresistible for at least three or four hearings. Miss Sakai quite missed its two magical moments, and its risky joke: respectively the feather-weight main theme (which she delivered at a sturdy *mezzo-forte*), the brilliant rigbt-band solo cascade (which wants glittering rbythmic precision, but was bere a basty scramble eech time round) and the vaudeville tune in tbe middle, flirting witb "bad taste" too *sophisticatedly* for Sakai's bonest resources.

Tbose were gaps serious enougb to make one doubt whether her earlier programmes could have explained her ultimate win. And it was unfortunate that Mr Baker should introduce young Yakov Kasman with a jibe at Leeds' recent failure to recognise him: the still younger Artur Pizarro won at Leeds with the same concerto, Rakhmaninov's Third, and a mastery of the keyboard wholly beyond Kasman's range. Kasman lavisbed perfervid feeling and flashes of character upon the music; he also rushed all bis fences, declined any rapport with his conductor and raced hit-and-miss through passages that even Horowitz couldn't bave illuminated at tbose manic speeds, wbereas the permanent delights of the Concerto lie in its svelte pianistic inventions.

Tbough Kasman's fourth priza seemed well-deserved, one began to wonder bow many more deserving artists tbe judges migbt bave misplaced earlier. The second prize went to Andrew Wilde, whose Brahms' First was much as expected: by turns cbunkily eloqnent and merely stolid, pedestrian in places which cry out for commanding flair, starved of *élan* in the Finale.

Among these pianists only the 23-year-old Fabio Bidini – third prize, with Chopin's F minor Concerto – could boast fingers that sang, gorgeous depths of tone even in *pianissimo*, sncculent trills and graceful *fioriture*. Like most Italian pianists – even Michelangeli! – be makes too little of Cbopin's dancing lilt, but be compensates with operetic *rubati* of delicate pathos. The piano is still luminous and beautiful under bis bends, unlike anybody else's.

David Murray

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

■ AMSTERDAM

Beurs van Berlage 20.15 Georges Octors and the Gelders Orchestra accompany winners of the Liszt piano competition. Tomorrow: Hans Vonk conducts Residentia Orchestra in world premiere of Jan Boerman's Music for Percussion and Orchestra (6270 466)
Muziektheater 19.30 Frans Bruggen conducts Peter Mussbach's production of Idomeneo, with Ben Happner in title role. Also Sun and next Wed (6255 455)

■ BARCELONA

Gran Teatre del Liceu 21.00 Uwe Mund conducts Goran Jarvefelt's production of Die Zauberflote, with Kurt Moll as Sarastro and Francisco Araiza as Temino. Runs till July 6, with next performances on Sun and next Wed (412 1466)

■ BERLIN

MUSIC
Staatsoper unter den Linden 18.30 Heinz Fricke conducts Der Rosenkavalier, with Magdalena Hajossyova as the Marschallin and Siegfried Vogel as Ochs. Tomorrow: Tosca (2004 762)
Komische Oper 20.00 New production of Bizet's operetta Doctor Miracle, also Sun. Tomorrow and Sat: four new ballet productions, including Pulcinelle and Bolero. These are the final performances of the season (2292 555)
Deutsche Oper 19.30 Franz Welser-Moest conducts Jean-Louis Martinoty's new production of La clemenza di Tito, with a cast including Lucy Peacock, Mariane Cioromile end Peter Seiffert, also Sun. Tomorrow: Fidelio, with Deborah Polaski as Leonore (3410 249)
Schauspielhaus 16.00 and 20.00 Mormon Tabernacle Choir. Tomorrow: Heinz Rogner conducts Berlin Radio Orchestra in Mahler's Second Symphony. Sat, Sun and Mon: Berlin Symphony Orchestra plays Halffter's Concerto for Saxophone Quartet and Orchestra and Mahler's First Symphony (2272 261)
Philharmonie Kammermusiksaal 20.00 Claudio Abbado conducts Berlin Philharmonic Orchestra in Haydn and Mozart, with Yevgeni Kissin piano soloist. (2614 383)

■ GENEVA

Victoria Hall 20.30 Armin Jordan conducts Orchestre de la Suisse Romande in music by Hans Ulrich Lehmann, Frank Martin and Stravinsky (292511). Tomorrow and Mon in Grand Theatre: Rossini's Guillaume Tell (212311)

■ LEIPZIG

Gewandhaus 20.00 Kurt Masur conducts Gewandhaus Orchestra in Brahms' Double Concerto and Fourth Symphony, also tomorrow (7132 252)
Keller Theater 19.30 Matka, new chamber opera by Annette Schlunz. Tomorrow in Opernhaus: Britten's A Midsummer Night's Dream. Sat: John Dew's new production of Le nozze di Figaro (7168 273)

■ LONDON

MUSIC
Covent Garden 20.00 Mark Ermler conducts revival of Elijah Moshinsky's production of Attila, with Barseg Tumanyan in title role, Vladimir Chernov as Ezio and Karen Huffstodt as Odabella. Tomorrow: Les Contes d'Hoffmann. Sat: Harrison Birtwistle's new opera Gawain (240 1066)
Coliseum 19.00 Josephine Barstow sings Katerina in David Pountney's production of Lady Macbeth of Mtsensk, conducted by Mark Elder, also Sat. Tomorrow: Peter Grimes (836 3161)
Royal Festival Hall 19.30 Andre Previn conducts Royal Philharmonic Orchestra in Berlioz's Symphonie Fantastique and Corsair overture, with Anthony Rolfe Johnson and Jeffrey Bryant soloists in Britten's Serenade for tenor, horn and strings. Tomorrow: Alfred Brendel plays Mozart piano concertos. Sat: Brahms' German Requiem. Sun: Previn conducts Dutilleux and Walton (928 8800)
Barbican 19.45 Rafael Fruhbeck de Burgos conducts London Symphony Orchestra in Richard Strauss' Alpine Symphony and Burlesque with Artur Pizarro, winner of the 1990 Leeds Piano Competition. (638 8891)

THEATRE
Musicals: at the Vaudeville, Dora Bryan stars in a transfer of last year's successful Chichester Festival production of 70 Girls 70 by Kander and Ebb, the writers of Cabaret and New York, New York. The Old Vic has Simon Callow's classy production of the Hammerstein/Bizet all-black musical Carmen Jones. Tango Argentina at the Aldwych is a stylish, sultry and energetic song and dance show, built exclusively around the tango. For information about other shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MUNICH

Staatsoper 19.00 Il barbiere di Siviglia, with Julia Kaufmann, Deon van der Walt end Thomas Allen. Tomorrow: Yuri Lyubimov's production of The Love of Three Oranges. Sat: Sawallisch conducts Der fliegende Hollander (221316)
Philharmonie 20.00 Sergiu Celibidache conducts Handel, Haydn and Mozart with the Munich Philharmonic, also Sat (48098 614)
Herkulessaal 20.00 Paul Badura-Skoda plays Mozart piano sonatas (299901)
Olympiahalle 21.00 Paul Simon. Tomorrow at Circus-Krone-Bau: Bob Dylan (2603 249)

■ NEW YORK

DANCE
Metropolitan Opera 20.00 American Ballet Theatre in Kenneth MacMillan's production of Romeo and Juliet. Final performances tomorrow and Sat (362 6000)
New York State Theater 20.00 NY City Ballet in world premiere of Peter Martins' new work Ash, music by Micheel Torke, repeated tomorrow, Sat, next Fri and on tha season's closing night programme on Juna 30 (870 5570)
THEATRE
Off-Broadwey: Smoke on the Mountain is Connie Rsy's musical comedy ebout e depression-era femily travelling through the South bearing witness to their religion with banjo, fiddle and songs (Lamb's Theater, 130 West Forty-fourth Street, tel 997 1780). Pageant is a beauty contest with judges selected from the audience to vote for Miss Glamouressa, in a show conceived, directed and choreographed by Robert Longbottom (Blue Angel, 323 West Forty-fourth Street, tel 262 3333). Nunsense by Dan Goggin is a musical adventure about five nuns who mount e talent show to raise money for what they consider to be a noble cause (Douglas Fairbanks, 432 West Forty-second Street, tel 239 4321). The Hunchback of Notre Dame is Everett Quinton's quasi-musical retelling of Victor Hugo's gothic tale of the bell-ringer, tha gypsy he loves and the evil archdeacon (Charles Ludlam, One Sheridan Square, tel 691 2271). Ticketron answers inquiries end sells tickets (246 0102)

■ PARIS

Palais Garnier 19.30 Opera Ballet in an American tripla bill: In the Middle...Somewhat Elevated by William Forsythe, In the Night by Jerome Robbins end Push Comes to Shove by Twyla Tharp. Daily performances till June 29, except Mon (4742 5371)
Chatelet 20.30 Williem Forsythe's ballet Limb's Theorem. Sat: Christa Ludwig singe Mehler songa in a concert which elso includes Stravinsky's The Soldier's Tale conducted by Pierre Boulez (4028 2840)
Théâtre des Champs-Elysees 20.30 Jean-Philippe Lafont sings Poulenc. Tomorrow, Sun end naxt Tues: Peter Stein's WNO production of Falstaff (4720 3637)
Salle Gaveau 20.30 Vienne String Soloists play music by Haydn, Mozart and Johenn Strauss. Tomorrow in Salle Pleyel: Viennese operetta evening with Orchestre of the Vienna Volksoper and soloists Gwyneth Jones, Eva Lind, Nicolai Gedda and Sebastian Holleck (4027 8017)

■ VIENNA

Staatsoper 20.00 Michael Schoenwandt conducts Harry Kupfer's production of Elektra, with Eva Merton in title role end Brigitte Fassbaender as Klytemnestra. Tomorrow: Der Rosenkavalier. Sat: Die Frau ohne Schatten. Sun: Der ferne Klang (51444 2960)
Musikverein 19.30 Song recital by Thomas Hampson, accompanied by Armen Guzelimian, also Sat (505 8190)
Konzerthaus 20.00 Merek Janowksi conducts Austrian Radio Symphony Orchestra in music by Webern, Berg, Kurt Schwertsik. Sat and Sun: Georges Pretre conducts sacred music by Schubert, Mozart and Bruckner. Sun at 11.00: Sandor Vegh conducts Mozart end Heydn (7124 6860)

European Cable and Satellite Business TV
(all times CET)

MONDAY TO FRIDAY
Eurosport
0600-0630 International Business report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline
Superchannel
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly
Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY
CNN
0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
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SUNDAY
Superchannel
1800-1830 FT Business Weekly
1930-2000 FT Business Weekly
2330-0030 FT Business Weekly
Sky News
1030-1100 FT Business Weekly
CNN
0710-0740 Moneyweek
1540-1610 Your Money
1900-1940 Moneyweek
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Thursday June 20 1991

Screaming Lord Huff

IT IS as if the debate on Britain's role in the European Community were being orchestrated by Screaming Lord Sutch, leader of the Monster Raving Loony party. Mr Edward Heath, the last Conservative prime minister but one and the Lord of Huff, has not quite managed the legendary levels of personal abuse attained by the former Australian finance minister, Mr Paul Keating (whose prize-winning insults are barely printable), but he did manage to say of Mrs Margaret Thatcher that her two recent speeches were "full of falsehoods – in ordinary English, lies", and that her mind is not only little, but "minute, that is what it is".

It would be uncharacteristic of Mrs Thatcher, the freshly-deposed Conservative prime minister, to reply. She is usually more subtle than that. Her remarks on the EC – the ones that set Mr Heath off – amount to a well-rehearsed declaration that she will not acquiesce without protest if there is to be a further transfer of sovereignty from London to Brussels. She gave qualified support to Mr John Major, the actual Conservative prime minister, during Monday night's fusillade in Chicago, but declined to offer even that small comfort during questions that followed her speech on Tuesday night in New York.

If the matters at issue were not so important, one could write off the exchange as the rantings of yesterday's man and the ramblings of yesterday's woman. But, as Mrs Thatcher rightly argues, "we had better go back to full and open and free discussion", while the Community is being reconstructed at the two intergovernmental conferences. Former prime ministers and fringe groups seem better placed to win attention for their contributions to this historic debate than are the leaders of the two main political parties.

Momentous issues

This is regrettable. The issues now before us are momentous, if largely technical in character. Do we want an independent EC central bank? Do we favour a single currency? What is the optimum political structure of this federation of which Britain is a part? They all deserve sober consideration. The Liberal Democrats have set out their detailed views, but both Labour and the Conservatives hope to maintain party unity by the application of large helpings of fudge. Both have reason to fear a robust internal debate. Labour was nearly extinguished as a political force when, partly in protest at the party's then opposition to EC membership, a breakaway group formed the Social Democratic party. The Tories face a potential schism of a similar magnitude today.

Public discourse

Yet the time has come for the two larger parties to participate in public discourse without fear. They may reasonably behave as self-confident Europeans. There is no party calling for withdrawal from the EC. That issue is behind us. It was settled at the referendum of 1975. Public opinion did not favour the EC in the late 1970s and early 1980s, but the potential "yes" vote as measured by the polls has climbed steadily for the past seven years. Mr Neil Kinnock recognises *this*, but he has smothered his statements on Labour's behalf in a mess of verbiage. Mr John Major has shown some courage in persisting with his declared strategy of negotiating in good faith, but he has difficulty in making himself heard.

It is a difficult situation for the prime minister. He cannot, in mid-negotiation, simply say "yes" to the Eurofed and an unqualified "yes" to a single currency. Neither would get through the Commons. Nor, as matters stand, can he set out *his final* positions on *curbing* the power of the European Commission, or accepting or rejecting this or that extension of Community competence. He has said that Britain is taking part as a committed member of the EC, and that it seeks an agreed solution.

But his touch could be surer; he would, for example, have done better to take the ths word "federalism" head-on, rather than shy away. His voice will not lead the debate, as it should, unless it resounds with conviction, clarity and courage. While it fails to do so, the stage is clear for Lord Huff and Lady Puff.

Beyond the merger binge

DURING THE past few weeks, as two of the 10 biggest UK industrial companies have begun the highly controversial preliminaries of a potentially huge takeover battle, a new committee has been formed to investigate and report upon corporate governance in Britain, with Sir Adrian Cadbury as chairman. The two developments are not directly connected, but they highlight the widely perceived need for the structure of direction and control of British companies to be looked at anew.

This is not the occasion to discuss the detailed rights and wrongs of Hanson's apparent threat to ICI. The relevant point here is simply that nowhere else *in Europe* (let alone in Japan) would it be thought acceptable for the future of a great industrial enterprise to be determined by the making of a financial offer to shareholders, regardless of the wishes of its management, workers and customers.

In 18 months the European Community's Single Market will be formally inaugurated. Until now, the unfairness of Britain's takeover practices has been seen, from the British point of view, largely in terms of the much greater difficulty of acquiring continental companies, while foreign predators have been able to take advantage of Britain's open doors. But there is another angle, of increasing importance, in that the UK's system of corporate governance is out of step. Euro-alliances are an increasingly important fact of corporate life; moreover, if companies as powerful as ICI are forced to manage themselves under the permanent shadow of takeover threats will British industry be able to compete?

Powerful institutions

On the whole Britain's system of corporate ownership has served the country deceotly in the past. The legal and structural emphasis on the rights of the shareholders has balanced the antagonistic role of trade unions. Bullock-style suggestions that the workers should be allowed a voice in the boardroom have been rejected as wrong for Britain. But the increasing power of the institutions, who resist *long-term commitments, has* posed a challenge which cannot be separated from the European context.

But it is not only in the UK that corporate governance requires attention. The French emphasis on public control and direction, and often ownership too, faces justified challenge from Brussels over state subsidies and favouritism. In Italy, sprawling big business empires have relied too much upon domination of their domestic markets. The Germans, as the Continental-Pirelli affair has shown, must find ways of making their domestic two-tier corporate governance structures work in a multinational context. In the Netherlands, Philips has provided a classic *example of what can go wrong* when a national champion is for too long insulated from the forces of change.

Corporate governance

The constitution of the Cadbury Committee reflects the peculiar problems of the UK. It will focus upon the financial aspects of corporate governance, including reporting, auditing and directors' responsibilities. No doubt it will have constructive things to say on issues such as top executives' remuneration, and the transformation of annual reports back into instruments of communication rather than glossy corporate brochures; but there is a danger that it will be patching up the existing system rather than pointing the way forward to a new approach.

With trade union power much abated, though not necessarily permanently so, and a Labour government possible, the conditions exist for sensible consideration of some broader questions, such as the *rights of employees, pension*ers, customers and creditors. The city and industry need to take a new look at a debate many have not considered since the 1970s, if they are to exert influence upon it. Extra non-executive directors in the boardroom no longer seems like a sufficient response to the issue of corporate governance, any more than unchecked and haphazard battles through the stock market are to be relied upon as the prime mechanism for displacing inadequate or misguided top management.

The immigration of thousands of Soviet Jews is forcing Israel to seek massive foreign aid from reluctant donors, writes **Hugh Carnegy**

The chinks in Shamir's armour

New challenges confront Israeli premier Yitzhak Shamir, left, as the influx of Soviet Jewish immigrants gathers pace

Almost every day for the past 18 months, hundreds of baggage-laden, travel-weary Soviet Jews have filed into the immigration halls at Tel Aviv's Ben Gurion airport to begin a new life in Israel.

Some days there are more, some days less, but still the biggest migration to Israel since the early 1950s goes on. A quarter of a million have come so far. Despite some slowing of the flow this year, partly due to the Gulf war, 1m are expected by 1995, swelling the population by one fifth.

This great influx is heralded as a historic triumph for Zionism by Israeli leaders. But it is also bringing the government of Mr Yitzhak Shamir face to face with an unpalatable truths: that it needs large amounts of foreign aid to cope with the immigration at a time when its own position over Middle East peace talks makes potential donors, notably the US, reluctant to stump up. The worry in Israel is that the US may be preparing to use its economic clout to force Mr Shamir to make political concessions.

The speed and scale of immigration has caught the Israeli economy on the hop. Many economists are confident that the double-digit growth required to absorb the influx will soon emerge after two years of stagnation. But there is a time lag and in the interim the government, desperate to get things moving, has taken a markedly interventionist approach.

Reforms in areas such as privatisation and the labour market are promised but have yet to materialise as government housing and jobs programmes are constructed. On the basis that each immigrant will cost the government $50,000 in subsidies and other aid, a five-year bill of no less than $50bn has been totted up, of which half will be sought overseas.

This huge foreign funding requirement, most of it slated to come from the US, has undoubtedly exposed a gap in Mr Shamir's armour. If the US decides to get tough with Israel's hardline stance on the occupied territories by linking the peace process to the extra economic *aid it seeks*, Mr Shamir may face some painful choices between his political ideology and economic hardship.

The Bush administration has recently signalled that it is prepared to link the two issues. In a meeting with a group of American Orthodox Jewish leaders earlier this month, President George Bush suggested he would not back Israel's request for $10bn in state loan guarantees unless Mr Shamir's government freezes Jewish settlement in the occupied West Bank and Gaza Strip.

The settlements are regarded by the US as an obstacle to any peace settlement and, *specifically, to its proposal* to hold a regional peace conference, followed by bilateral Arab-Israeli negotiations. An acceleration in settlement building when Mr James Baker, the US secretary of state, was pursuing his recent peace shuttles infuriated the administration.

So far, Mr Shamir has, at least in public, shown no sign of retreat. He has repeatedly stated that settlement building will go on uninterrupted. His government, which argues that absorbing the Soviet immigrants is a humanitarian issue which should not be linked to the peace process, is apparently banking on winning sufficient support in Congress to block any attempts by Washington to tie the two issues when Israel makes its formal application for loan guarantees in *September*.

In any other country, the government could get out of the bind by restricting immigration. But *aliyah* – the Hebrew word for immigration literally means ascension – is a Zionist touchstone. Limiting the number of Soviet Jews allowed to enter, after years of urging Moscow to let them go, is not an option.

Instead, Israel is seeking up to $18bn in foreign aid and loans over the next five years, principally from the US and EC countries. The chief assistance it wants from governments is in the form of state loan guarantees which will both make it easier to persuade lenders to hand over cash and should help secure cheaper terms.

This appeal to foreign governments comes on top of the annual transfers *of* about $5bn that Israel already enjoys. More than $3bn comes in the form of US grant aid, making Israel the world's biggest per capita recipient of foreign aid. Most of the rest comes from fundraising from the Jewish diaspora, which is also to be asked for an additional $6bn for *aliyah*.

A recent Bank of Israel report set out the stark degree to which Israel's reliance on foreign assistance is set to expand. It estimated that even if the full funding target is met unemployment will reach 14 per cent by 1995 and emigration will hit 100,000.

If, for political reasons, or as a result of competition for funds from eastern Europe and the other regions clamouring for western capital, Israel was able to raise only an additional $10bn abroad, unemployment would rise to 18 per cent by 1995, prompting emigration by as many as 200,000 newcomers, as well as largescale emigration by the established population.

Already there have been warnings from the Jewish Agency, the body responsible for immigration, and others that many Soviet Jews have begun to delay their journey because of the gloomy employment prospects.

A significant body of Israeli opinion – mainly among those who support the opposition Labour party – believes that the country cannot both cope with immigration and hold onto the occupied territories, as Mr Shamir's government intends.

"I don't believe we can control the 1.5m Arabs in (the West Bank) and absorb 1m people," says Mr Uri Gordon, a Labour member and head of immigration and absorption at the Jewish Agency, the body responsible for *aliyah*. "We have to make a historical decision to absorb our 1m brothers and sisters from the Soviet Union, or to continue to hold onto the territories."

This is precisely what the US administration would like to hear. But it is not coming from the government. In an interview with the FT this month, Mr Yitzhak Moda'i, the finance minister, scoffed at the idea. He admitted that the demographic boost from Soviet immigration strengthened Israel politically, but said this did not mean the issue of aid for immigration should be linked to political issues.

His argument is that western governments should feel obliged to help the immigration effort, which he says is a refugee problem. As such, it was not a question of subsidising Israel, but of aiding the immigrants themselves. "This is not aid to the State of Israel and therefore the State of Israel should not be confronted with a counter request," he says.

The reality is, however, that the government has already acknowledged linkage, however much it may try to deny it. The government has given written promises to the US not to settle Soviet immigrants in the West Bank and Gaza – and not to spend US aid there – in order to secure an initial loan guarantee for immigrant housing worth $400m.

In Europe too, economic leverage over Israel, in the form of access to EC markets as well as financial assistance, was clearly a factor in Israel agreeing to EC participation in any Middle East peace conference, something it had previously opposed.

As well as political concerns, the US has clearly signalled to Israel that it expects more market reforms in the economy. In a recent speech, Mr William Brown, the US ambassador to Israel, strongly criticised Jewish settlements in the occupied territories and the slow pace of reforms such as privatisation. He said he feared that Israel would react to immigration by resorting to "an even larger state budget, a larger state role in the economy, a greater dependence upon foreign governments and their budgets".

Certainly nobody in Israel believes that Mr Shamir can be forced by economic pressure to give up the West Bank and Gaza. He takes pride in saying that he is immune to pressure, and if unacceptable political strings were attached to any aid then he would probably prefer not to take it. Unless a way is found to overcome the differences blocking progress towards a peace conference, the Bush and Shamir governments are shaping up for a tough battle in Congress in the autumn.

High anxiety for high-flyers

Israeli leaders boast that the country will be stronger and culturally richer after it absorbs 1m highly-qualified Soviet immigrants. Sociologists, however, say the immigrants' *background will make it diffi*cult to integrate them into Israeli society.

It is not the first time Israel has absorbed a large wave of immigrants. It did so in the early 1950s, when the population doubled at a time of far fewer resources than today. This time the population is set to rise by 20 per cent in five years.

But unlike the immigrants of the 1950s, who came mainly from Arab countries and were largely unskilled workers who easily found jobs in the then booming Israeli economy, 70 per cent of the new Soviet arrivals are technologically and scientifically trained; 35 per cent of them hold academic degrees.

Professor Moshe Lissak of the Hebrew University's sociology department calls this immigration "the richest ever and anywhere in human capital". It is widely regarded by Israelis as a great opportunity for the country. But Prof Lissak says it also constitutes an unprecedented threat to the Israeli elite: "There is hardly any academic or pseudo-academic field in which huge surpluses will not be created by this immigration."

Before it began, Israel already had the highest number of doctors per capita in the world. Since late 1989, the number of doctors has increased by 50 per cent to one for every 260 people. Newspapers often carry stories of immigrant professors and doctors working as waiters or street sweepers.

In any event, there is likely to be intense competition in the job market. Native Israelis and the immigrants will struggle for top academic and scientific positions – with the result that the latter will have to settle for somewhat less qualified jobs. But in those positions, too, the immigrants will find themselves competing with upwardly-mobile Israelis of oriental, or *sephardi*, origin – the sons and daughters of the poor immigrants of the 1950s. Given the rising unemployment rate, there are fears that this may encourage both immigrants and native Israelis to leave the country.

The arrival of the immigrants may have a profound effect on Israel's politics: under the country's extreme system of proportional representation, the Soviet vote will be equivalent to six or seven Knesset (parliament) seats in the next general election. Prof Lissak says the four Israeli religious parties, which have used their 18 Knesset seats to wield disproportionate power in coalition governments, may be the chief losers, since the Soviet Jews are largely non-religious. But the opposition Labour party could also be affected; polls show that 60 to 70 per cent of the Soviet immigrants support Mr Yitzhak Shamir's governing Likud and smaller parties of the extreme right.

If, however, the absorption of the immigrants goes badly awry, they might turn on the government. There have even been suggestions that they might form their own separate party – raising the prospect of serious ethnic and social tensions among the Jews.

Efrat Shvily

OBSERVER

Double vision

■ The industry-backed Invest in Britain Campaign is taking a long chance in inaugurating an annual Far Sighted Award for eminent upholders of the UK's long-term interests. As the Guardian Young Businessman of the Year award has shown, such trophies can prove poisoned chalices.

The first prize for the far sighted, somewhat curiously sponsored by spectacle-makers Dollond & Aitchison, will be presented in September to one of 10 nominees, six of whom have been so far listed.

Besides Prince Charles – for his stance on architecture, they are Eurotunnel's Sir Alastair Morton, Lucas Industries' Sir Tony Gill, London docklands developer Paul Reichmann of Olympia and York, Cambridge economist John Eatwell who is an adviser to Labour leader Neil Kinnock, and astronaut Helen Sharman.

Champion long-termist Eatwell is particularly keen to win the prize since it's being handed over by Jeffrey Archer, who once lured away Eatwell's part-time gardener by offering him a long-term job.

Another name being bandied around is Margaret Thatcher. But there's some confusion whether she is in line for the far sighted award, or its negative mirror image: the Myopic Award for short-termists.

The campaign's director Margaret Charrington won't be drawn on the Thatcher question, saying only that the nomination list for the myopia prize at least is still wide open.

Has Observer a seconder for Lord Hanson?

Party tricks

■ Confusion about Mrs Thatcher is also rife at Tory headquarters where party bosses are agonising over what to do with her at the annual conference in Blackpool, less than four months away.

Is it better that she does, or does not turn up? And if she does put in an appearance, where should she sit and how should she be feted?

She has always dominated Tory party conferences and her presence, or absence, during certain delegate speeches is interpreted with skills once reserved for analysing the Soviet politburo. It would be a public relations nightmare, for example, if she were to empty the main hall at the Winter Gardens by organising a fringe meeting elsewhere.

After Thatcher had deposed Edward Heath there were delicate behind-the-scenes negotiations before each conference about when and where the two should shake hands and be photographed together. This time round the protocol could prove even trickier.

Overtime

■ Meanwhile, whatever the wisdom of Ted Heath's opinions, one has to admire his stamina.

Returning from an evening at Glyndebourne, the 74-year-old ex-premier recorded interviews for BBC Breakfast Time and Sky TV in the early hours of Tuesday morning, and after a few hours sleep popped up again on BBC radio's Today programme and BBC Scotland.

Next, having been deprived of a grilling on LBC radio because Angela Rippon ran out of time, he dashed to London from his home in Salisbury and recorded an interview for ITN's teatime news before talking to the Daily Telegraph. On to a farewell party for Christopher Johnson, Lloyds Bank's economic adviser, and thereafter an appearance on Channel 4 news.

Then pre-recorded pieces for BBC's Newsnight and BBC Radio's World Tonight were followed by an hour's phone-in on Greater London Radio, and another couple of pieces for next morning's breakfast TV.

This hectic schedule perhaps explains why he grew more and more venomous as the night wore on.

"Harold Wilson's keeping quiet."

Pass

■ Financial tip of the month, courtesy of Coopers & Lybrand Deloitte's current desk calendar.

"If you are thinking of becoming a Name at Lloyds, which carries some tax advantages, you should complete the formalities for entry in January 1992 by the end of this month."

Tables turned

■ The irony of Viscount Etienne Davignon's appointment to ICL's board won't be lost on computer buffs. Stevie Davignon was the EC Commissioner who helped set up the European IT industry roundtable in 1981, which in turn was the body that chucked ICL out after it was taken over by Japan's Fujitsu last year.

During his time at the commission Davignon was involved with several initiatives to protect Europe's computer industry.

Clearly, ICL is hoping that with Davignon on board it has improved its European credentials. Sir Michael Butler, a former British permanent representative to the EC and great admirer of Davignon, already chairs ICL's European strategy board, and Fujitsu and Northern Telecom have agreed that at least 25 per cent of ICL will be floated on the stock market within two to five years.

Of course it is a good seven years since Davignon worked in the commission. But he has always been a skilled player of Europe's old boy network, and still lives off his reputation as the EC's Mr Fix-it.

Crosstalk

■ Progress towards a single European currency may be slow, but progress towards a *single European language has* taken a mighty leap forward thanks to this week's strike of EC interpreters.

Internal market ministers meeting in Luxembourg found themselves deprived of simultaneous translation, and were forced to talk face-to-face in English and French. As a result a packed two-day agenda was finished in one day and, according to UK minister John Redwood, having to work in a non-native tongue seemed to "clear the minds" of several of his counterparts.

German commissioner Martin Bangemann, who also speaks English and French, even suggested that internal market meetings should henceforth dispense with interpreters altogether.

Bottom line

■ Overheard at a management conference:

"If there's anything worse than a yes man, it's a second-guess man."

ECONOMIC VIEWPOINT

Strain of staying the course

By Samuel Brittan

For almost the first time since the UK joined the exchange rate mechanism of the European Monetary System last October, membership is putting a modest brake on monetary policy. I know that there are so-called monetarists who believe that British base rates should have gone well into single digits many months ago and who would therefore dispute the assertion. But this is not the view of the Bank of England or Treasury which, quite apart from the ERM, have not wanted to cut base rates for fear of putting at risk the progress in reducing inflation, previously so obstinate.

The most striking, but least fundamental, event has been the weakening of the Spanish peseta on the report that the margin of fluctuation around the peseta would be narrowed.

It is because Spain, like Britain, has enjoyed the wide 6 per cent margin that decisions on interest rates in London have appeared to depend on events in Madrid – a phenomenon that has puzzled even inveterate Hispanophiles among my colleagues.

Some analysts are projecting their own petty electoral cynicism on others

The explanation is that the peseta has until recently been very strong. Sterling was therefore near its lower limit against the Spanish currency, even though it was around the middle of its permitted range against the D-Mark. Thus sterling could not go down more than a very little further without breaking the rules.

Or so it seemed on paper. Sceptics have always doubted whether the peseta was really in the driving seat and suggested that if sterling fell against the D-Mark it would drag the peseta down with it. Understandably, British officials have not cared to put the sceptical theory to the test.

A narrowing of the peseta margin around its central rate is bound to drive the Spanish currency down and thus reduce its constraining influence on British freedom of action. The markets have anticipated this new found freedom by depressing sterling against other ERM currencies. But in the current sour mood all news is seen as bad and the downward drift of sterling against the D-Mark has been treated as yet more weakness.

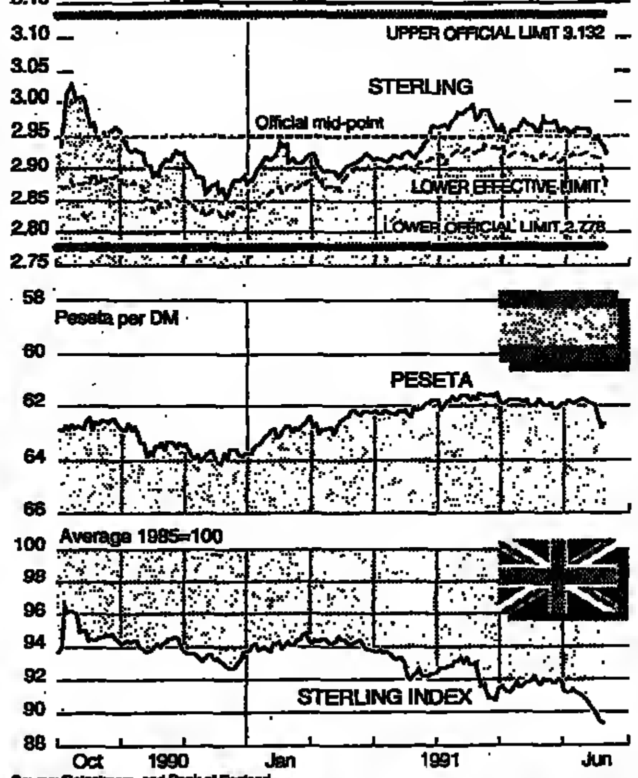
But much the biggest driving force has been political. Financial markets have at last taken on board the prospects of a Conservative defeat. Holders of sterling, especially overseas, have not fully appreciated the shift in Labour macro-economic policy away from devaluation and in favour of an ERM-based policy. This is not because Labour leaders are heroes, but because they have realised that the ERM is a much better protection against runeway inflation than ettempts to extract a wages pact from unwilling union leaders. The worst Labour might do, according to close observers, is to go for a narrow band near the bottom of the present range.

Of course not all Labour economists are happy with this strategy, any more than are Bruges-inclined Conservative ones. Some of the dissenters ask if there are no circumstances in which a larger parity change will be sought. Of course one can think of catastrophes, such as war and earthquakes and their economic equivalents, which would justify changing the firmest commitment. The more realistic question is whether the leaders of both political parties will stick to their guns in the face of the present recession. The odds are that they will – if only because a departure from the ERM limits will shatter credibility so much that interest rates will end up higher rather than lower.

It is also said that sterling holders are afraid not so much of Labour's currency policy, but of the adverse effect on growth of the party's policies. This argument is doubly suspect. The fashionable belief that a currency's fortunes are always linked with growth lacks solid support. The dollar, for instance, has often risen during US recessions and fallen during periods of high growth. Moreover, the effects of any one party's policies on growth are usnally swamped by other forces, at least within the lifetime of one parliament.

Perhaps the main market fear is not so much of Labour, bnt that the present government will cut interest rates

Exchange rates since ERM entry



Source: Datastream, and Bank of England

"excessively" out of electoral panic. Those who think so are projecting their own petty cynicism on others. Quite epart from political morality, Norman Lamont, the chancellor, believes it is far too late to buy the next election by taking risks with sterling. Nor should the red-black devaluationist coalition expect a U-turn from John Major, who was the chancellor who took Britain into the ERM and who has personally a lot at stake in the success of the venture.

Within the present strategy, policy could however do. The special employment measures which were adopted in the mid-1980s should have been revived several months ago.

Within the financial sphere it should be possible:

- To make more use of sterling's wider ERM margin – getting on for 12 per cent if Spain moves to narrow bands.
- To get rid of the silly belief that interest rates cannot be reduced, if they might have to be raised later. Interest rates are prices which move in both directions. Willingness to move rates in either direction is also the best way to live with the possibility of a further German interest rate hike.
- UK policymakers should reconsider their hang-up about acting "too soon". Past inflations were due to monetary policy being relaxed too far, not too soon. Few governments do anything too soon, certainly not British ones.

UK output may already have hit bottom. But the latest indicators, although not as weak as they have have been hyped up to be by the anti-ERM coalition, do not yet show this. Both the manufacturing and the construction indices have continued to fall in the latest three mooths. But there *may* have been a levelling out in retail sales in the past three months, depending on the interpretation put on the pre-VAT upward blip in March; and the housing market seems to be just off its bottom.

James Capel, the stockbrokers, has pointed out that the overall policy stance has been more sharply stimulative than generally appreciated. For not only have base rates been but cut from 15 per cent to 11½ per cent, but sterling's fall agains the dollar has contributed to a 7 per cent to 8 per cent drop in the sterling index since Britain joined the ERM. In addition the fiscel deficit may have increased by some ½ per cent of gross domestic product more than can be explained by the recession alone.

Policy apart, it is in fact extremely rare for market economies to spiral downwards into a tail-spin. If the recession

It is fatuous to lurch for yet another strategy only months after joining ERM

is worse than expected, then inflation will fall faster as well; and British products will become more competitive internationally than they otherwise would. Above all, the link provided with the ERM is not with a highly deflationary zone but with the expanding west German economy. So long as monetary policy is abased on the D-Mark link, an extended deflationary fall in the money supply is most unlikely.

Siren voices point to the US example last autumn and winter of cutting interest rates despite a falling dollar. Whether neglect of the dollar really has been benign for the US in the longer run is a debatable question. In any case Britain is not the US; and as the Heath and Callaghan government discovered British ettempts to neglect sterling have nearly always come to an end in tears.

But to me the clinching consideration is the fatuity of lurching for yet another new strategy only a few months after after joining the ERM – itself the outcome of an 11 year agonising debate. To do so just when the going gets rough, is typical of everything wrong with British policy attitudes.

BOOK REVIEW

Africa's painful learning curve

AFRICA: DISPATCHES FROM A FRAGILE CONTINENT
By Blaine Harden
HarperCollins, 333pp, £16.99

Like an optimistic probation officer dealing with hardened recidivists, Mr Barber Conable urged African leaders attending this month's OAU summit to follow the precepts of "good governance". Old lags in the audience such as Kenneth Kaunda, Daniel arap Moi and Mobutu Sese Seko heard the World Bank president urge the virtues of "accountability, transparency, predictability, adherence to the rule of law.

"In e world where the competition for scarce resources has never been more intense, we will be paying increasingly more ettention to them in years to come," he said.

Blaine Harden, who spent foor years in Africa for the Washington Post, puts it more bluntly. Western donors, he says, ehould "insist on free elections in the same way that they insist on a rationally valued currency. No devaluation, no loans. No certified fair elections, no loans. No independent judges, no loans".

He reaches this conclusion towards the end of an outstanding account of the complexities of a fragile continent, where 30m people face starvation and the anarchy of Liberia or Somalia seems a portent of further horrors to come.

He looks behind chilling statistics abont the continent's crisis, and goes beyond mere portraits of venal or hrutal African leaders. Few writers can match Harden's insights into the continent's malaise, drawn from experience of Africa at the grass roots. He explores areas most journalists do not reach, what Hardan calls "the business of living in cultures that have been forcefed change".

The body of a dead Kenyan lawyer lies on ice as his widow, a member of a different tribe, battles with his relatives for custody of the corpse. The courtroom becomes e "proxy battlefield for a tribal war". But there is much more to it than that. The struggle is also between the traditional and the modern and between Christianity and indigenous faiths, as well as over women's rights.

A 7ft 6in Dinke cowherd from Sudan suffers cultural trauma when he becomes a professional basketball player in the US, a story into which an explanation is woven of the relationship between the tribesman and his cow.

Perhaps the most instructive chapter in the book is set in Ghana, although the lessons learnt apply to Africa as a whole. Mr Harden accompanies a University of Ghana sociology lecturer on his journey to his home village; his account illuminates the safety-net role of Africa's extended families, and the pressures it imposes on a wage earner who is obliged by tradition to share his income with less well-off relatives. Mr Oduro resents his rural family: "They are vultures, pickpockets. They want money from you and they know how to get it."

The episode prompts a sombre warning: "Kwasi Oduro's trip home... showed that the extended family in Ghana and across Africa functions under immense stress. Like a bridge that has borne too much high-speed traffic for too many years, its fonndations are cracking." Africa owes much of its resilience during decades of economic pain and political upheaval to this bridge, and the cracks bode ill for stability.

A second theme is the pitfalls that await well-meaning aid donors, exemplified by "the frozen fish plant in the desert", a tragi-comic tale of a Norwegian project in north-west Kenya. It turned out that freezing the fish cost more than the fillets were worth. A dam which the European Community helped fund is described as "the richest dirty deal in Kenya's history", providing large kickbacks to Kenyan officials.

Harden derives some comfort from this apparently bleak picture. "A learning curve can be discerned in modern Africa," he writes. "Governments have finally started to sift sense out of nonsense." The superpower rapprochement which helped pave the way to Namihia's independence has raised prospects for an end to other conflicts, while the surge of support for democracy throughout Africa is accompanied by economic reform.

But the complexity of the continent and the extrsordinary stresses posed by painful economic and political reform make one wish that Harden had dwelt more on the link between aid and democracy.

The principle is admirable and has been endorsed by Mr Douglas Hurd, the British foreign secretary. Indeed, Mr Hurd has taken aid conditionality a step further than Mr Conable, who told the OAU that the bank would not seek to influence Africa's choice of political system provided aid was used efficiently.

Aid, Mr Hurd wrote last October, should be tied not only to economic reforms, but to political reform, in which "accountability must be a central plank". This, he says, "goes hand in hand with political pluralism and with more open government".

Aid recipients should be left "in no doubt about our concerns", he said. "We sbould expose and condemn abuses of human rights when they are uncovered by the media, by oor posts abroad, and by non-governmental organisations, like Amnesty International."

These strictures have had no discernible effect. British aid to Malawi, for example, whose human rights record is deplorable, has not been reduced.

So far neither the World Bank nor other donors have specified the yardstick against which reform will be judged, or allayed suspicions that donors' relationships with Africa will remain infinenced by security or commercial considerations.

For their part, African opposition leaders have yet to set out their new constitutions. How do they intend to confront thorny issues such as tribalism; and how do they ensure that this time round, checks and balances curb exentive power as well as keep the army at bay? These might be the themes of Harden's next book.

Michael Holman

LETTERS

Travail at Lloyd's: arguments about losses of the Names and possible changes to the tax regime

From Mr A J South.

Sir, The current tax problem at Lloyd's referred to in your leader ("Lloyd's and the taxpayer", June 18) has nothing much to do with unlimited liabilities and nothing much to do with the size of the losses, or even the rate of marginal taxation. It does, however, have everything to do with the nature of those losses.

The US courts seem determined to impose on Lloyd's the bill for cleaning up America. This might cost $8,000bn, or more. Current Names have to try to stay in business to meet those losses if and when they arrive. If Names leave *en masse* their past underwriting accounts will never be closed.

Providing logically, equitably, and transparently for these losses, and dividing the cost of making that provision between various underwriting years and sets of Names, is impossible – unless there is a benign tax regime that recognises the true nature of the prohlem. Yon are right that Lloyd's is getting far more litigiously internecine, but this may well be attributable to the bureaucratic and ontdated approach of the Inland Revenue towards the technical problems of reserving for long tail liabilities.

Of course, one can argue that seeking ont this business in the first place was a commercial decision that came unstuck, but the true reason is that Lloyd's was never constituted to take on 20-year liabilities. Even the pre-computer, three-year accounting system the Revenue seems to regard as such an advantage is out of date and unnecessary in the high-tech 1990s.

I am sure Lloyd's, under David Rowland's task force, will find its way out of the straitjacket imposed by operating e fiction – ie, that an annual joint venture between various unrelated individuals can deliver a modern, credible, professional, up-to-date service and long-term product to the marketplace.

A fair and flexible tax regime is all the Names want to achieve this – not e "bail-out".

A J South,
Hill Thatch,
The Highlands,
East Horsley, Surrey

From Mr Hugh V Alderslade.

Sir, Your rather one-sided editorial comment completely ignores the main thrust of the argument for a change in tax relief for losses incurred by Names.

Insurance companies have this proposed benefit (which therefore indirectly benefits their shareholders) and Names at Lloyd's are in effect individual "insurance companies". So surely it is only equitable that they be treated in the same way for taxation purposes in this context.

I personally think that to refer to the old tax rate of 98 per cent of years ago, is now academic and totally irrelevant.

Hugh V Alderslade,
Wall House,
Felden,
near Hemel Hempstead,

From Mr C L Jackson.

Sir, One expects ill-informed comment from the tabloids on a subject as complex as the tax system as it applies to Lloyd's members, but I would not expect a leader in the Financial Times to have such a poor grasp of the situation.

To quote one sentence from the leader – "there is no case for having the taxpayer shoulder a bigger share of the losses of Names". What blatant nonsense. For your enlightenment all Lloyd's underwriting losses are allowed to be set off against the appropriate tax year and previous year tax liability and any unused losses can be carried forward against future underwriting profits.

In this year's Finance Act the government introduced a concession to small businesses whereby losses could be carried back for three years instead of one. Lloyd's has suggested to the government that, as sole traders, Lloyd's qualifies under this heading. So all that is being suggested is that tax relief be given sooner rather than later and, bearing in mind the enormous losses being suffered by many members of Lloyd's, including cash calls on current open years (where there is no tax relief until the years are closed), this would appear to be no more than natural justice.

I am a member of Lloyd's who has suffered losses, but not enough to benefit from the proposed concession.

C L Jackson,
36 Greystoke Avenue,
Pinner,
Middlesex
HP3 0BL

From Mr Charles Grimston.

Sir, Your leader misses the target in several ways.

First, to allow Lloyd's UK competition to carry back losses over three years and not Lloyd's Names would put Lloyd's in an unfavourable tax environment and arguably would be unprincipled and inequitable.

Second, the quantum of losses by some Names is considerably greater than their taxable income in the last three years, leaving any surplus to be recovered under the current provisions of future underwriting profits.

Thus, whatever the result of the proposed amendment to the Finance Bill, the taxpayer will still be shouldering the losses and possibly even a larger share if taxes rise.

The level of tax and the tax breaks have little overall importance to the more central question of whether insurance companies should be better treated than Lloyd's under the 1991 Finance Bill. The financial damage of recession on business is no different to the effects of a trough in the underwriting cycle.

Charles Grimston,
managing director,
Grimston Insurance Services,
10 St Mary at Hill, EC3

From Mr V Shirley.

Sir, Perhaps the sympathy being shown to those facing losses at Lloyd's might extend to stock market underwriters during 1987.

Most put option writers will have suffered calamitously in the October 1987 crash. A service was provided by putting a floor under a lot of blue chip shares, even perhaps protecting the pension investments of Lloyd's Names.

Would anyone care to lobby for options losses in 1987 and 1988 to be offset against income earned since?

V Shirley,
The Timbers,
1 Norman Road,
Hatfield, near Doncaster

From Mr Alan Smallbone.

Sir, The public interest, as you say in your leader, does not require favoured tax treatment for individuals; hnt it does require one of the largest producers of invisible earnings not to be bobbled by an uncommercial tax regime.

Names need the reforms proposed by Lord Cromer in 1969. They do not seek extraordinary privileges of a kind not accorded to their competitors, but rather a recognition that those engaged in the underwriting of a grand-scale catastrophe reinsurance need the opportunity to build reserves in a fashion no more disadvantageous than that accorded to reinsurance companies, notably the great continental insurers.

That these matters were not resolved in 1982 at the time of the Lloyd's Bill, is almost certainly because those proceedings were dominated by witnesses more concerned with paying dividends to shareholders in underwriting agencies than with the long-term needs of the market or the well-being of the Names.

Alan Smallbone,
30 Temple Fortine Lane,
London NW1

From Mr R G Baker.

Sir, When someone becomes a Lloyd's Name, the last thing to be considered is the "good of the country". It is the opportunity to obtain double the going rate of return which is paramount. Well, high returns carry high risks. So why is the government going to bail out the Names who have lost heavily? The government does not help me if I make a bad investment decision, but apparently it intends to reimburse sophisticated investors who were too greedy.

If it is considered that it is in the national interest to protect the London insurance market, then so be it. Let the government pay the claims, but let Names pay the penalty of misjudgments like the rest of us.

R G Baker,
The Watch House,
Pill, Bristol

Fax service
LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Thursday June 20 1991

Central bank calls for 'clear steps' to cut deficit – set to reach up to DM170bn

Bundesbank warns on public spending

By David Marsh in Bonn

THE BUNDESBANK has issued another firm warning about Germany's fast-growing 1991 public sector budget deficit, which it says will now sizeably oversboot the government's target set last year.

The deficit of federal, state and regional governments will total DM150bn-DM170bn ($82bn-$93bn) this year, mainly because of sharply rising deficits in east Germany, the central bank says in its monthly report published today.

It points out that this is well above the DM140bn limit set by tha government last year – before the decision to raise extra revenue this year, through large tax increases coming into effect next mooth.

The Bundesbank calls for "clear steps" to cut the deficit, above all through reductions in spending and subsidies.

Otherwise, the central bank warns of possible damage to "the confidance of investors, particularly from abroad, in the snlidity of the pnblic finances".

It points to a sharp reduction in foreign interest in German securities in the past few months. Net purchases by foreign investors of fixed interest securities fell to DM5.6bn between January and April, against DM26.4bn between September and December last year.

Cnunting social security transactions (in small surplus), the overall public sector deficit this year will be DM140bn-DM160bn, nr 5.5 per cent of gross national product.

This level was exceeded only once in West Germany – in the recession year of 1975 (when it totalled 6.5 per cent of GNP). The ahare of German public spending in GNP, at 52 per cent this year, has never been higher, the bank says.

Mr Karl Otto Pöhl, the Bundesbank president, was yesterday given the official support of the government in his aim of slimming down the central bank's unwieldy decision-making structure. After months of delay and argument, Mr Theo Waigel, the German finance minister, put forward a draft bill proposing to reduce the number of regional central banks in the united Germany to nine from the present 11 in west Germany.

In further analysis of the financial changes caused by German unification, the Bundesbank also defends the sharp fall in German savings flowing on to world capital markets, saying this is the natural counterpart to a big increase in imports from other countries. The Bundesbank says the country's dwindling role as a capital exporter "cannot be criticised".

The bank implicitly takes issue with US worries about a world capital shortage, which the US claims is becoming a growing problem.

The Bundesbank says fast German economic expansion has been a powerful element in "stabilisation" of other European economies.

Germany's seasonally adjusted imports from EC countries grew 4.3 per cent in the first quarter of 1991, compared with the final quarter of 1990, with exports to thesa countries falling 0.2 per cent. Spain (exports to Germany up 12.8 per cent), France (exports up 5.6 per cent) and Italy (up 4.1 per cent) were particular beneficiaries.

The Bundesbank predicts that the German current account position will be in rough balance this year after a surplus of DM77bn last year. The current account was in deficit to the tune of DM12bn in the first four months of the year, with the shortfall exaggerated by large transfers to allies for the Gulf war.

The Bundesbank has been taken by surprise by the turnround because at the beginning of the year it was predicting a fall in the current account surplus only to around half the record figure of DM104hn achieved for West Germany in 1989.

S&L rescue may cost extra $80bn

By Peter Riddell, US Editor, in Washington

William Seidman: plea to Congress for extra fnnding

THE FEDERAL rescue of the US savings and loan industry may require a further $60bn-$80bn in the coming year, in addition to $80bn already approved by Congress to cover losses and closures since mid-1989.

Mr William Seidman, chairman of both the Federal Deposit Insurance Corporation (FDIC) and the Resolntion Trust Corporation (RTC), which oversees the rescue operation, confirmed yesterday that he would be asking Congress today for the additional amount. This would inclnde $30bn-$40bn in working capital to finance the cost of holding assets until they can be sold.

The request could hardly come at a worse time for the RTC, which has faced strong criticism from the General Accounting Office, the congressional watchdog, for inefficient handling of the rescue.

Mr Seidman is also expected to propose a simplification of the complex structure of overlapping bodies handling the rescue, which critics argue has led to inefficiency and delays.

Mr Nicholas Brady, the treasury secretary, will testify next week on these issues. So far, the Treasury has not backed any reorganisation of the rescue, but Congress may require such a change before approving additional funds.

The Treasury is keen to keep the savings and loan rescua separate from the debate over banking reform legislation and its effort to avoid a similar taxpayer bail-out of the banks. Many in Congress are sceptical abont assurances that new powers to allow the FDIC to borrow more to shore up the depleted bank insurance fund will not require taxpayer funds over the long term. The plan is that the amounts borrowed will be repaid through higher bank insurance premiums.

The RTC has spent $113bn on supporting deposits in failed savings and loans since August 1989. It expects to recover $58bn by selling assets. The Treasury estimates tha cost to taxpayers from mid-1989 to the completion of the rescue is $130bn, at 1989 prices, or $160bn in current prices.

Disputes over crises measures mar start of CSCE

By Robert Mauthner in Berlin

DISPUTES over joint action to manage sudden crises and over the separate representation of the three Baltic states marred the first day of the east-west meeting of 35 foreign ministers yesterday.

The meeting of the Conference on Security and Co-operation in Europe (CSCE) was the first to be held at ministerial level since the adoption last November of the Paris Charter on a new pan-European security order.

Though it got off to a good start with the unanimous endorsement of Albania as the 35th member of the organisation, the discussions rapidly ran into familiar political hurdles.

Mr Alexander Bessmertnykh, the Soviet foreign minister, refused to countenance the attendance of Lithnania, Estonia and Latvia in their own right, arguing that tha status of the three republics was an internal Soviet affair.

The problem was circumvented, if not solved, by the decision of some countries to invite the Baltic representatives as "guests". The Scandinavian countries and Belgium each sponsored Baltic delegates in this special capacity. But they were able to attend only the public sessions of the conference.

The principle nf non-interference in the internal affairs of a country was also at the root of a disagreemant between the Soviet Union and Turkey, on the one hand, and the majority of other member states, over a proposed emergency crisis management procedure.

Officials were last night hammering out a compromise. This would take account of Soviet objections to any mechanism which allowed an emergency meeting of the CSCE to be called to deal with crises without the full agreement of the conntrias diractly involved. The points at issue were both the size of the quorum of countries required to call such a meeting – the compromise appeared to be focusing on 12 to 14 – and the criteria for defining an internal crisis.

Officials said after the plenary session that they believed Moscow would, in the end, be prepared to soften its stance.

A joint statement issued by the ministers on Yugoslavia was considered to be particularly significant in this context. Mr Douglas Hurd, the British foreign secretary, said it was the first time the CSCE ministers had mada such a statement on an internal problem of one of the European member states.

"For the first time, we were acting almost as a Congress of Europe," he said.

Tha ministers, whn expressed their "friendly concern" about events in Yugoslavia, stressed they supported the unity and territorial integrity of the country, as well as its democratic development and full respect of the rights of minorities. At the same time, they emphasised that it was "only for the peoples of Yugoslavia themselves to decide on the country's future".

Japan stays top of world competitive table

By William Dullforce in Geneva

JAPAN continues to outstrip the rest of the world in the competitiveness of its business climate, according tn the annual World Competitiveness Report of the International Institute for Management Development and the World Economic Forum.

The 1991 edition ranks Japan top for the sixth consecutive year, well ahead of the US, Germany aod Switzerland, which in turn have a comfortable lead on the rest.

Notable changes in the rankings this year are Switzerland's fall from second to fourth place and Austria's advance from 11th to sixth. The UK moves np from 12th to 10th, while France at 15tb has slipped back one.

IMD and WEF researchers assess 330 criteria, broken down into eight factors. The hard data are supplemented by a business confideoce survey, in whlcb snme 10,000 execntives evaluate their country's competitive capacity.

For the first time the report inclndes national "balance sheets" evaluating the assets and liabilities of each country in international competition. Three balance sheets for each country represent its overall competitiveness, its attraction for foreign investment and the aggressiveness of its enterprises on world markets.

Japan comes top in six of the eight factors used in tha main scoreboard, its lead being greatest in corporate management, strength of the domestic economy, and science and technology. The report says Japan is far ahead of the US in basic and applied research, although the Americans spend more.

The US scores most strongly for the impact of government on business and for its infrastructnre, a factor which includes information systems. But economic recession has affected business confidence and the report considers that the US second position may be explained by the weakening of the German and Swiss economies rather than a real increase in competitiveness.

Business confidence in Germany remains strong, executives rating the economy high for the amount of new business it is expected to generate over the next two years. The report suggests that the cost of unification could strain competitiveness in the short term.

Switzerland's decline derives from its unusually high inflation rate, the erosion of its capacity to attract foreign capital and ahortage of qualified personnel. Still, the Swiss come second for finance and managemant and the value added in Swiss manufacturing is closest to the Japanese.

Austria'a rise derives from its proximity to eastern Europe, which has prompted multinational companies to locate their regional headquarters there; its application to join the European Community; expectations of high economic growth; and the motivation of its workers.

In addition to the scoreboard covering 23 members of tha Organisation for Economic Co-operation and Development and Hungary the report ranks separately 10 newly-industrialised economies. Singapore has a strong lead while Hong Kong is a clear second. Singapore comes first in four factors, internationalisation, government, management and people.

Hong Kong is first in finance and as having the most developed financial market open to foreign business. Uncertainty about unification with China in 1997 leads executives to rate it as having poor prospects for generating new business.

The World Competitiveness Report. IMD (WCR), PO Box 915, CH-1001 Lausanne, Switzerland. SFr500. Orders can be placed by telefax 41 21 266725

UK climbs ranking, Page 11

Ministers to meet on aid

Continned from page 1

for Moscow. Sunday's meeting will give them a chance to underline this position ahead of the July summit.

At this month's annual ministerial meeting of the Organisation for Economic Co-operatioo and Development in Paris, Britaio, the US and Canada mede clear that there could be oo large scale financial support for Mr Gorbachev in tbe absence of convincing economic reform in the USSR. Witb tbe exception of Germany, this message was ecboed by officials of other G7 countries.

Since then, Mr Gnrbachev has been invited to London for talks immedietely after the summit. It is also expected that the G7 summit will be presented with plans drawn up by a joint Soviet-US team of academics that envisage western aid of $30bn-$35bn a year for the USSR.

US-approved exports may have aided Iraqi army, says report

By Alan Friedman in Washington

THE US government approved exports to Iraq between 1987 and 1989 that may have helped Baghdad improve its weapons capabilities, accnrding to a study by a Washington-based nnclear weapons expert.

Key areas that could heve benefitted included increasing the range of Iraqi Scud missiles, improvements to anti-aircraft radar systems and enabling testing to be carried out at a nnclear weapons design laboratory,

Professor Gary Milhollin's report whicb makes use of both publicly availabla and confidential Commerce Department records, details militarily useful US exports in those years that were part of $1.5bn of equipment and technology approved for export to Iraq between 1985 and 1990.

The Bush administration released a list of these exports three months ago. A senior Commerce Department official admitted at the time that up to six of the 771 export licences issued in the 1985-1987 period would heve been banned by the Missile Technology Control Regime (MTCR), a seven-nation agreement unveiled in April 1987. He said the "lack of specificity" in export regulations made it difficult to stop some shipments.

Prof Milhollin made public yesterday a confidential copy of some of the export licence records. He said his analysis showed "that US export controls suffered a massive breakdown in the period preceding the Gulf war". The Commerce Department last night declined to comment on the report.

The report cites an export licence approved in November 1989 for $140,000 of frequency synthesisers made by Hewlett Packard that can be used in in radar systems. When the Commerce Department made its list public in March it described the equipment as not restricted by export controls, although it said the export was destined for the Salah al-Din establishment, one of Iraq'a key military electronics factories.

A copy of the same Hewlett Packard export licence entry from the records prepared for internal use at the Commerce Department states that "according to our information the end-user is involved in military matters". The entry said the products would be used "in calibrating, adjusting and testing" a surveillance radar system.

Prof Milhollin claimed yesterday the Commerce Department deleted this statement before it mada public the export list in March.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	21	70
Algiers	F	23	73
Amsterdam	R	11	52
Athens	S	30	86
Bahrain	S	37	99
Bangkok	C	32	90
Barcelona	S	21	70
Beirut		–	–
Belfast	R	12	54
Belgrade	S	24	75
Berlin	F	17	63
Biarritz	S	17	63
Bombay	F	32	90
Bordeaux	F	18	64
Boulogne	F	14	57
Brussels	R	11	52
Budapest	C	18	64
Buenos Aires	R	15	59
Cairo	S	35	95
Cape Town	F	16	61
Caracas	R	30	86
Casablanca	C	22	72
Chicago	S	20	68
Cologne	R	12	54
Copenhagen	F	11	52
Corfu	S	28	82
Dallas	F	23	73
Dublin	C	13	55
Dubrovnik	S	25	77
Edinburgh	F	13	55
Faro	S	24	75
Florence	F	22	72
Frankfurt	R	11	52
Geneva	C	15	59
Gibraltar	F	22	72
Glasgow	C	13	55
Helsinki	F	15	59
Hong Kong	R	28	82
Innsbruck	C	14	57
Inverness	F	13	55
Islamabad	F	33	91
Istanbul	S	25	77
Jakarta	C	33	91
Jersey	C	13	55
Johannesburg	C	12	54
Lima	C	21	70
Lisbon	S	23	73
London	C	14	57
Los Angeles	C	18	64
Luxembourg	C	11	52
Madeira	F	20	68
Madrid	S	23	73
Majorca	S	22	72
Malaga	C	22	72
Malta	S	24	75
Manchester	C	13	55
Manila	C	32	90
Melbourne	S	13	55
Mexico City	C	22	72
Miami	S	27	81
Milan	F	18	64
Montreal	S	21	70
Moscow	S	30	86
Munich	C	14	57
Nairobi	C	23	73
Naples	S	23	73
Nassau	C	32	90
New Delhi	F	27	81
New York	C	17	63
Nice	S	20	68
Nicosia	S	29	84
Oporto	S	18	64
Oslo	R	13	55
Paris	C	16	61
Peking	S	29	84
Prague	C	16	61
Reykjavik	S	13	55
Rhodes	S	27	81
Rio de Janeiro	F	31	88
Rome	S	22	72
Salzburg	C	14	57
San Francisco	C	12	54
Seoul	S	28	82
Singapore	F	32	90
Stockholm	C	15	59
Strasbourg	F	16	61
Sydney	F	16	61
Taipei	C	33	91
Tangier	S	27	81
Tel Aviv	S	26	79
Tenerife	S	24	75
Tokyo	C	26	79
Toronto	C	21	70
Tunis	F	25	77
Valencia	F	22	72
Venice	S	18	64
Vienna	R	14	57
Warsaw	F	19	66
Washington	C	16	61
Zurich	F	17	63

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

The ripples spread from Tokyo

FT-SE Index: 2,494.7 (-31.3)

It is tempting to attribute yesterday's downward lurch in world equities to a common cause, particularly as it followed the time zones round from Tokyo to Wall Street. But the motives ascribed to each market were curiously distinct. The governor of the Bank of Japan was rumoured to have made menacing noises about monetary policy, though it is an open question whether anyone in Tokyo was still expecting interest rates to fall anyway. The UK market was buffeted by another political row over Europe, though that is scarcely novel either. On Wall Street, the trouble seems to have been an odd combination of a jump in the US trade deficit and the threatened collapse of one of the country's biggest utilities, Columbia Gas.

If there is a common theme here, it may have to do with worries about monetary tightening and interest rates generally. But there is an anomaly, too. An important aource of inflationary pressure in Japan and Germany in recent months has been the strength of the dollar. Yesterday, for what it was worth, the dollar dipped sharply in response to the US trade figures.

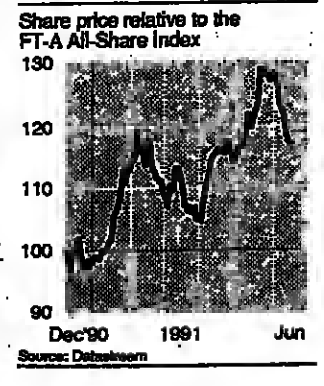
Another link, less specific but perhaps more persuasive, is that all the main world equity markets at present are characterised hy an uneasy combination of low trading volume and low institutional liquidity. The Gulf rally has long since petered out, with the Dow and the FT-SE struggling to maintain themselves above 3,000 and 2,500 respectively. In the UK, the problem is one of rising political tension and increasing donbts about the economy. In the US, where recovery is largely taken for granted, the question is how far it is already in the price. It seems that the longer the markets get to settle down from the excitements of the Gulf, the less sure they are of where they find themselves.

East Midlands

East Midlands Electricity must be cursing its luck. As the first of the regional electricity companies (Recs) to report full-year results, it was well aware that in beating its prospectus profits forecast by more than a quarter it risked provoking political attention of the sort enjoyed recently by the other privatised utilities. The extra wish not to leave room for the kind of row being created by the water industry's regulator explains why the dividend was held at the level predicted last year. The fact that the electricity regulator still reacted sharply yesterday suggests he realises that, in dealing with a monopoly, he now has a standard to match.

Electricity Package

Share price relative to the FT-A All-Share Index



Source: Datastream

On the face of it, the reasons for East Midlands' £30m profits overshoot ware straightforward. Never mind the weather: half the surplus came from lower aupply prices and the rest from a combination of volume growth and cost savings. If the government was hoodwinked before privatisation on either, or both, the latter, it has only itself to blame. East Midlands clearly made conservative estimates; so, presumably, did all the other Recs.

Tha regulator's instant response suggests shareholders' long-term prospects will have to ba reassessed, although investors should hesitate before switching off the sector entirely. One wonders whether Offer has been a touch premature. If the results of the other Recs are to be picked over as the prelude to an early industry price review, there is little reason why they should show the short-term dividend restraint they were probably rehearsing. Over the next few weeks, there may be some interesting pay-outs.

Euro Disney

Euro Disney's thema park outside Paris has something in common with Eurotunnal besides the first two syllables: both involve an alemant of make-believe. At least the FFr4bn convertible bond issue announced by Euro Disney yesterday is not needed to finance cost over-runs and building delays. Rather, its second building phase is being brought forward a year. That may explain why the terms of the convertible are scarcely a give-away.

The deal gives investors a chance to earn some income before the underlying equity starts to produce dividends in February, 1993. This may appeal to income funds for which Euro Disney has so far been a no-go stock. With interest of 6¾ per cent and guaranteed redemption in 10 years' time at 110 per cent of their face value, the bonds also offer protection against downside risk, while holders can share in any appreciation of the shares themselves. The question is whether the conversion price of FFr140 is higher than these benefits justify. At yesterday's close of FFr116, Euro Disney's shares have risen more than 60 per cent since their flotation in November, 1989. They may not have that much further to run in the short to medium term, even assuming the company's forecast of 11m visitors in the first year defies recession and proves correct. It is the less reassuring thet the company is so strangely coy about tbe total cost of its second phase, saying simply that it is likely to exceed FFr12bn.

Rosehaugh

If there is a lesson in the recent gyrationa of Rosehaugh'a share price, it is that investors foolish anough to stump up for last year's rights issue at 200p are pretty well locked in. Yesterday'a statement from the company that it had disposed of properties worth £60m so far in the second half, with deals worth another £40m to follow shortly, helped the shares recover 30 per cent to 40p. Property sales are thus on target, bnt the company remains vulnerable to rumour in a thin market with scarcely any fundamental grounds to buy.

Rosehaugh still faces the hurdle of a fresh valuation of its Broadgate property which, if unfavourable, could cause the company to breach its covenants on gearing. That might or might not force a restructuring, though at the moment the valuation is anybody's guess. Meanwhile, it has tbe daily grind of generating enough cash to keep its bankers at bay.

Property sales are unlikely to produce any significant reduction of its £350m debt in the current financial year. Admittedly, expenditure on new projects is drying up and higher rents from Broadgate should help cash flow in 1992. But with base rates unlikely to fall much further for a while, Rosehaugh has long since lost its appeal as an interest-sensitive recovery play.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

US restructuring for Bridgestone

Bridgestone, the Japanese tyremaker, yesterday announced plans for restructuring its troubled Bridgestone/Firestone operation in the US, which has been losing money since it bought Firestone Tire and Rubber three years ago. As part of the latest shake-up, the company's headquarters will be transferred from Akron, Ohio, where Firestone was founded in 1900, to Nashville, Tennessee. Page 33

Petro-Canada fuels debate

PETRO-CANADA

The privatisation of Canada's biggest domestically-owned energy company – Petro-Canada – has sparked a heated debate about whether politics should overrule sound business principles. This week's pricing of the issue, at a discount of more than 40 per cent of its net asset value, suggests that political factors command the high ground at the moment. Page 32

Israel's desert loses its bloom

The painful reality facing Israeli agriculture today is how the land of milk and honey is becoming one of drought and debt. Although Israel still leads in such fields as irrigation technology, the traditional image of a desert transformed and made to bloom with juicy Jaffa oranges and avocado pears is becoming tarnished as agriculture confronts profound changes in the way it operates, writes Hugh Carnegy. Page 28

Shanks & McEwan at £24m

Shanks & McEwan, the leading UK waste management group, yesterday announced pre-tax profits up from £17.4m to £23.9m ($38.7m) for the year to end-March. Peter Runciman, chairman (left), highlighted the "recession resistance" of the group which, he said, now spanned the full range of waste activities apart from nuclear waste disposal. He warned, however, that some reduction in the group's growth rate was expected this year. Page 20

Small German stock market issues under microscope

Small German companies have tended to be ignored by both domestic and overseas stock market investors. With most international portfolio investment activity focused on the leading 30 DAX stocks, some German banks are now turning to the smaller, frequently more interesting, special situation issues. Katharine Campbell examines the results of a trial portfolio of small capitalisation stocks. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Asea Brown Bov	830	+	120
Beiersdorf	765	+	15
Industrie Wer	344.5	+	7.5
MAN	404.5	+	8.5
Falls			
Leifheit	788	–	12
Linotype	572	–	7

NEW YORK ($)

Rises			
Homestead	3⅛	+	¼
Falls			
Apple Computer	41¾	–	⅜
Columbia Gas	19¼	–	15⅝
Eljer Inds	17¾	–	5⅛
Intl Rectifier	17⅛	–	5
Microsoft	104⅝	–	6¾

New York prices at 12.30.

PARIS (FFr)

Rises			
Bancaire Cie	480	+	24
Beghin Say Crt	430	+	24
CGIP	1032	+	34
Carrefour	1950	+	53
Chargeurs	730	+	28
Taittinger	3100	+	80

TOKYO (Yen)

Rises			
Janome Sewing	748	+	48
Macross	487	+	47
Falls			
Miyairi Valve	530	–	53
Nihon Nohyaku	1830	–	180
Teikoku Sen-I	1050	–	190
Titan Kogyo	1480	–	216

LONDON (Pence)

Rises				Church & Co	285	–	10
Booth Inds	92	+	5	Gardiner Grp	59½	–	4½
Fiscala G&W	125	+	21	Glaxo	1244	–	47
Rosehaugh	40	+	9	Northumbr.	51	–	5
Shanks&McEwan	1400	+	27	N West Wtr pp	274	–	13
Shoprite	303	+	25	Sandell	34	–	7
Stanhope	80	+	3	Scot Hydro pp	116	–	6
Wellcome	665	+	21	Scot Power pp	110½	–	5
Falls				Seacon	88	–	5
ADT	743	–	35	Steetley	331	–	16
Aegis	160	–	15	Trencherwood	52	–	11
Braithwaite	118	–	11	Vickers	195	–	16
Christies Intl	187	–	13				

Banks act to freeze trade lines with BNL

By Haig Simonian in Rome

A NUMBER of leading international banks have frozen or withdrawn their credit and trading lines with Banca Nazionale del Lavoro (BNL), the state-owned Italian bank, as a protest over the events surrounding the collapse of Federconsorzi, the farm services consortium.

None of the banks wishes to be named. However, measures so far revealed include the decision by one active London-based foreign exchange house to stop dealing with BNL altogether.

The banks would not disclose the size of the lines involved. Foreign exchange dealing lines, which can be withdrawn immediately, are never disclosed, while interbank credit lines, which are sometimes bigger, are usually subject to bilateral negotiation and longer renewal periods.

The trouble stems less from BNL's exposure to Federconsorzi, to which it is the biggest single lender, than its role in Agrifactoring, the factoring operation in which Federconsorzi had a 20 per cent stake. On a group basis, BNL has credits of around L230bn ($172.8m) outstanding to Federconsorzi, and a further L200bn to Agrifactoring.

The BNL group owns 50 per cent of Agrifactoring, which has borrowings of L900bn-1,000bn. BNL also provides its management. Contrary to established practice in international banking, foreign bank creditors say the bank has so far been unwilling to honour Agrifactoring's borrowings.

A BNL executive said some banks had frozen their lines with Agrifactoring. "I am not aware of any action as yet towards BNL," he said. One of continental Europe's biggest banks has frozen all lines with BNL's financial services subsidiaries, and threatened to cut the parent company's dealing lines.

"It's not a question of having 50 per cent or 51 per cent. It's a cardinal banking rule that when you have management control, you must stand by your associations," said one Milan-based foreign banker.

BNL has argued that it is not responsible for Agrifactoring's borrowings, which it says are directly linked to the Federconsorzi affair. Last week, a committee of top Italian bankers accepted the plan by farm minister Mr Giovanni Goria to put Federconsorzi into voluntary liquidation.

Foreign bank creditors of Agrifactoring are clearly using the threat of cutting lines as a way to put pressure on BNL. However, similar action is also being taken by banks which are not financially involved and which say they are acting to uphold a point of principle.

The issue of responsibility of financial institutions for subsidiary operations, even if not majority-owned, has become increasingly prominent in regulatory circles in recent years.

One large foreign creditor said it had not yet raised the Agrifactoring issue with its domestic central bank as a way of increasing the pressure on BNL and the Italian authorities. "We are in touch with the Bank of Italy, both for Federconsorzi and Agrifactoring. However, we have not yet taken additional steps via out domestic central bank."

Columbia Gas warns of $1bn losses

Company may file for bankruptcy in wake of warm winter, writes Martin Dickson in New York

COLUMBIA Gas System, one of the largest natural gas transmission businesses in the US, said yesterday it could face losses of more than $1bn because of adverse gas price movements. The company also threatened to file for bankruptcy unless it could renegotiate both its loss-making supply deals and bank credit lines.

The news sent its shares plunging by more than 40 per cent and at lunch time on the New York stock exchange they were quoted at $19¼, down $15¾. The company, based in Wilmington, Delaware, and mainly serving the Eastern seaboard of the US, also suspended the 58 cents a share dividend on its common stock.

Mr John Croom, the chairman, said the company would meet its bank lenders today to try to revise its credit facilities. This follows financial difficulties of Columbia Gas Transmission, its principal pipeline subsidiary, which has some $1.5bn of secured and unsecured debt outstanding.

The company blamed its problems on the sharp fall in US spot market gas prices, due to warm weather over the past winter and an abundance of supplies.

This made much of the gas that it had bought under contracts stretching back many years uncompetitive with the spot market product. While the spot price was $1.30 per thousand cubic feet, some of Columbia's gas contracts were priced as high as $6.70 at the wellhead.

Columbia said its losses on contracts which had been fixed at above-market prices could exceed $1bn and it planned to charge a substantial proportion of this against second-quarter income.

Columbia insisted in its annual report, published in March, that it had the financial strength to withstand the impact of warm weather, while its long-term prospects were "impressive."

However, a company spokesman said yesterday that the outlook had deteriorated following a relatively hot February and recent industry forecasts that spot prices were likely to remain low.

Columbia said the transmission subsidiary's likely losses were not beyond the group's capabilities but it was not fair for "substantially all of the System's resources to be devoted for an indefinite period to servicing contracts which, through a series of developments not forseeable by either Transmission or the producers, call for prices far in excess of the fair value of the gas involved."

The company plans to offer the producers up to $600m of Columbia debt in compensation for restructuring the contracts. It says it needs to have commitments from most of them by the start of the autumn heating season.

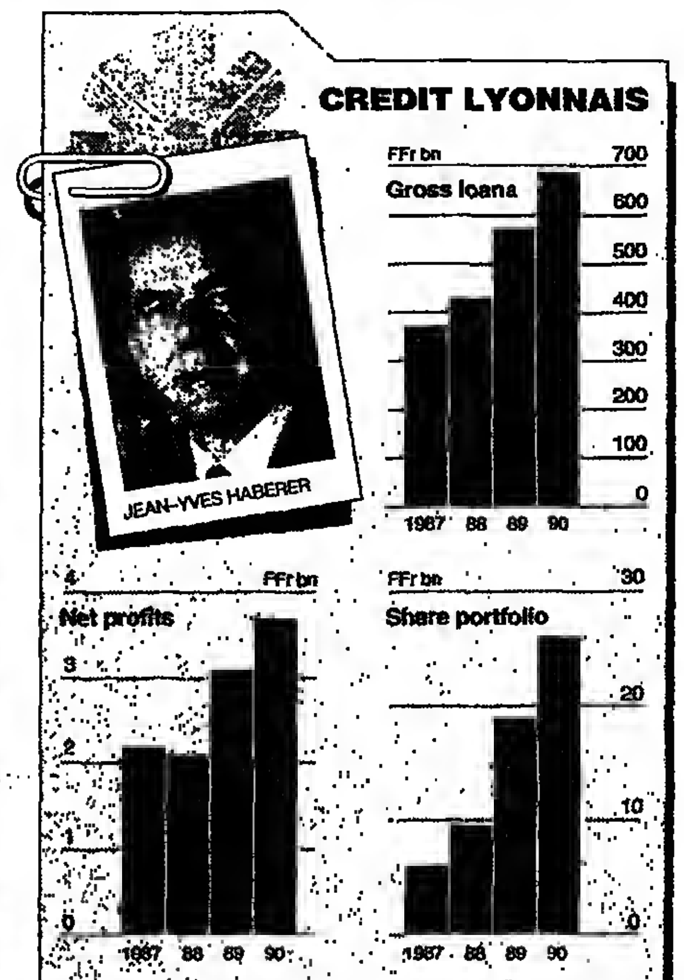
The group, which is also a significant gas explorer and producer, serves more than 8m customers in 15 states, directly or indirectly, and in 1990 had net income of $104.7m on revenues of $2.4bn.

Columbia said that if it failed to establish adequate credit lines or if suppliers did not respond promptly to its restructuring demands, then the pipeline subsidiary, or the parent, or both might seek protection from creditors under the bankruptcy laws.

The news also hit the stocks of other US gas pipeline companies as Wall Street feared Columbia's problems could be a harbinger for the rest of the industry.

Bank's ambitions carry high risks

Crédit Lyonnais may have to pay for its aggressive expansion and lending strategy, writes George Graham



FOR more than a year now, rival bankers have been wondering what could halt Crédit Lyonnais's headlong expansion.

The French state-owned bank's entanglement with Mr Giancarlo Parretti, the Italian financier could prove to be one of the biggest stumbling blocks.

Earlier this week, Crédit Lyonnais filed suit against him in an attempt to debar him from the board of entertainment group MGM-Pathé Communications.

Critics of the ambitious strategy pursued by Mr Jean-Yves Haberer since he took over as Crédit Lyonnais's chairman in 1988 believe the Parretti débâcle is symptomatic of the risks which surround his aggressive expansion.

"In 10 years' time, if the markets favour him, Haberer may be hailed as a genius and the rest of us will look like idiots, but in the meantime, he gives me gooseflesh," says the head of a large French bank.

"Genius" is a word that has not always been applied to Mr Haberer. He received a rough ride when he moved from the French Treasury to become chairman of the newly nationalised Paribas investment banking group from 1982 to 1986, and after his appointment to Crédit Lyonnais in 1988 was dubbed by the magazine Euromoney "the man with no ideas".

Mr Haberer has applied himself to the task of destroying this label, proving that he has at least two ideas, and no shortage of ambitions.

The first idea was to build the strongest possible base in all main European banking markets. After a series of acquisitions, including Credito Bergamasco in Italy and Banco Comercial and Banco Jover in Spain, Crédit Lyonnais can now boast the most extensive network of any European banking group, with 640 branches outside France and a market share in Portugal, Spain, Belgium, the Netherlands, Italy and, to a lesser extent, the UK. Only time will tell whether the French bank paid too dearly, as some critics claim.

The second idea was to develop German-style links between the bank and its industrial clients. Aggressively backing up its loans with equity investments, Crédit Lyonnais had a share portfolio valued at FFr26bn ($4.2bn) at the end of 1990, and has played on these closer links with customers to build up its corporate finance and mergers and acquisitions businesses into a prominent position in the French market.

Last year's earnings figures appear to prove that Mr Haberer was right, and his detractors wrong.

Crédit Lyonnais reported a 18.5 per cent increase in net profits to FFr3.7bn, while most of its French competitors reported sharp declines ranging from 25 per cent for the private sector Société Générale to 53 per cent for state-owned Banque Nationale de Paris.

Analysts have picked a number of holes in the rose-tinted presentation of Crédit Lyonnais's accounts, which were greatly improved by the first-time addition of contributions from Altus Finance, the former banking arm of state electronics group Thomson acquired in 1989, and from Credito Bergamasco.

What worries analysts most though is the accumulation of problems that have followed Crédit Lyonnais's expansion.

In countries as far apart as Belgium, Taiwan, Spain and its native France Crédit Lyonnais has become known as one of the most aggressive lenders on the market but some of the borrowers brought in by this policy have run into difficulties.

Mr Haberer says he sees nothing particularly alarming. "All big banks have to face up to cases of companies in difficulty. The year 1991 seems to me so far neither more nor less exceptional than others," he told the magazine l'Expansion.

Mr Haberer's critics do not expect his solidly-capitalised and state-backed bank to sink under the weight of bad debts but the series of disasters is beginning to lengthen.

In France, Crédit Lyonnais is by far the largest creditor of VEV, the struggling textiles group, with a FFr1.2bn loan exposure, and is also exposed, along with many other French banks, to the bankruptcy of microcomputer maker SMT-Goupil.

Crédit Lyonnais has also found itself helping out heavily indebted customers by buying out their buildings at prices viewed by the market as excessively favourable, such as the Pelège property concern's headquarters for FFr600m, and the building of the African trading company CFAO from Pinault, the wood to distribution group, for FFr1.1bn.

Altus, meanwhile, has found itself taking over control of Concept, the troubled French computer services business which last year reported net losses of FFr563m.

Even success stories can turn sour. Last week, Crédit Lyonnais's investment banking subsidiary Clinvest was found by the stock exchange council to have acted in concert with Bolloré, a conglomerate with which it has close links, in taking control of the Delmas-Vieljeux shipping concern, and was ordered to offer to buy out minority shareholders at a potential cost of up to FFr1.6bn.

The ruling poses a real problem of principle for Crédit Lyonnais's practice of mixing lending, equity investment and advisory roles.

The MGM-Pathé case causes most concern to other bankers and some finance ministry officials, because of the size of Crédit Lyonnais's involvement and because of the murkiness of the bank's links, mostly via its Netherlands subsidiary, with Mr Parretti.

According to Mr François d'Aubert, an opposition member of parliament who has been pressing for an inquiry into the affair, Crédit Lyonnais's exposure totals at least $737m.

The bank has dismissed most of the numbers suggested as "fantasy".

US, UK stock markets call off talks on link-up

By Richard Waters in London

THE LONDON Stock Exchange and the National Association of Securities Dealers in the US have called off cooperation talks which could have led eventually to a joint venture between the world's third-largest and fourth-largest stock markets.

The talks, underway since last summer, were aimed at creating common technical infrastructure to support the two institution's markets. With this common platform, the two would then have launched the first cross-border equity market to operate across the world's major time zones.

The talks were called off last month by the London exchange, although the NASD said it had agreed with the decision. Both sides said that the talks had ended partly to allow the London exchange time to complete it current strategy review.

Mr Peter Rawlins, chief executive of the LSE, added that the US Securities and Exchange Commission's rules would make it difficult to develop a true international stock market.

"We were in danger of ending up with a joint market which would have UK rules in UK trading hours, and US rules in US trading hours," he said.

Both sides said talks, which also took place in 1987-88, could resume later.

Both markets are geared around market makers and rely on screen-based quotation systems, known respectively as Nasdaq and Seaq. London, which modelled its system at the time of Big Bang on Nasdaq, has also successfully developed a cross-border share market, Seaq International. The NASD's own Nasdaq International has yet to clear SEC regulatory hurdles.

Together, the two would be able to offer European and US stocks in both the European and US times zones, with an eventual extension to the Far East.

Both markets face expensive redevelopment of their technical systems. Mr Joe Hardiman, NASD president, said yesterday that Nasdaq, based on a system developed 20 years ago, would probably cost $30m to rebuild. "From a technical point of view, there are many things we could and should do together to hold down costs for our members."

Mr Rawlins said it was too early to say how much it would cost to rebuild the London exchange's systems, which would take place after the exchange had finalised its strategy.

Both sides hope to return to the talks, said Mr Rawlins. They believed development spending should be shared to reduce costs to users, and wanted to provide a common access point to their markets, he said.

However, the suspension of talks at this stage could lead to the two markets undertaking independent rebuilding programmes, making future cooperation more difficult.

The breakdown follows in the wake of a more acrimonious breakdown in talks between European stock exchanges in recent weeks over joint development of a European-wide share trading system. London was also instrumental in ending those discussions, although other leading exchanges were similarly disenchanted with the idea.

The London exchange said the ending of talks with the US and continental European exchanges did not mean it had adopted an isolationist position in which it would develop its own international share market at the expense of others.

Salomon losses hit FFr257.3m

By William Dawkins in Paris

SALOMON, the world's leading maker of ski-bindings, yesterday annonnced nearly tripled losses for 1990 bnt forecast an improvement in the current year, despite lower turnover so far in 1991.

Sales fell by 19 per cent to FFr2.65bn ($430m) last year, n reduction of 10 per cent adjusting for the plunge in the valne of the dollar and the yen against the franc, said Salomon. Losses meanwhile rose to FFr257.3m from FFr90.7m, the second year running that Salomoo has been in the red.

Like other members of the ski industry, Salomon has suffered from the general decline in the winter sports market, hit by several seasons of bad weather followed by an economic slowdown.

The US economic recession has also hit sales of the group's golf equipment subsidiary, originally designed to give access to a growth market outside winter sports.

However, Salomon believes this year "should show a retnrn to stability", partly based on a reduction in its break-even point achieved by last year's job losses.

The gronp, based in the Alpine town of Annecy, said strong sales of its new ski sbonld hold winter sports sales steady at FFr1.9bn.

SE mulls trading probe at Deutsche

By Katharine Campbell in Frankfurt

THE insider trading commission of the Frankfurt Stock Exchange looking into allegations against employees in the securities department of Deutscbe Bank is likely to establish within the next two weeks whether a formal investigation is warranted.

Mr Friedrich-Carl zur Megede, a retired judge who beads the five-person commission in Frankfurt, said that the allegations of improprieties contained in an anonymous letter to a local news-sheet, Effecten-Spiegel, were being treated "very critically". A decision was made this week to request information from some of the parties involved. Their response will enable the commission to decide whether to proceed formally.

Hilmar Kopper: vocal

Insider trading is not a criminal offence in Germany, but is subject to a voluntary code of regulations last updated in 1988, which some small banks and brokers have not formally underwritten. While the rules apply throughout Germany, each of the eight regional exchanges has its own commission.

It is five years since the last insider trading case was proven in Frankfurt, according to Mr Megede.

Deutscbe Bank, Germany's leading bank headed by Mr Hilmar Kopper, and never itself to date involved in a proven insider trading case, has been vocal in its support for tough and enforceahle laws to enhance Germany's international financial image.

The Finance Ministry is drafting the German version of the EC Insider guidelines which must be in place by mid-1992. But the wider question of securities surveillance geared to overseeing banks, has yet to be properly addressed.

Deutsche Bank has said it welcomes the inquiry which it is backing up with an internal examination of the stock exchange department from board level down. The bank is understood not to have ruled out the possibility that the letter, which claims authorship by a former securities department employee, may stem from a disgruntled member of staff.

The allegations centre on equity warrants, a burgeoning sector of the D-Mark capital markets, which, as leveraged and often ill-understood products, have tended to attract controversy.

NEWS IN BRIEF

Vard proposes demerger

VARD, tbe Norwegian shipping and finance group, yesterday announced that its board is to propose a demerger of the company at an annual general meeting on June 28, writes Karen Fossli in Oslo.

The proposal calls for the cruise and ferry businesses to remain in Vard S and the activities of Finanshuset and Bassoe and other financial investments to be formed into FiBa, a separate company which will seek a listing in Oslo.

"The board of directors of Vard wish to develop the Vard group further through a concentration of activities into separate entities," the company said. The demerger is to take effect as at January 1 1991.

NCC reports flat four months

NCC, the Swedish property and construction group, has reported unchanged profits after financlal items of SKr115m ($17.5m) for the first four months of this year, writes John Burton in Stockholm.

It warned that earnings for 1991 will be inwer than last year's SKr602m due to smaller profits from property management and a decline in construction in its main European markets outside Sweden.

Metsä-Serla FM39m in the red

METSA-Serla, one of Finland's largest forest groups, reported a loss before appropriations and taxes in the first four months of 1991 of FM39m ($9.77m) compared with a profit of FM102m during the same period in 1990, writes Enrique Tessieri in Helsinki

Consolidated sales fell to FM2.48bn from FM2.99bn, while operating margins also dropped to FM290m from FM414m, accounting for 11.7 and 13.8 per cent of sales respectively. The group also saw its result after financial items slide to a loss of FM59m from a profit of FM101m.

Metsä-Serla blamed its unsatisfactory position on declining pulp prices as well as on the global paper industry slump, which has depressed volumes and prices. The group expects no improvement in 1991 and sales are forecast to drop to FM8bn from FM8.73bn in 1990.

Norwich Union wins fight to replace board of Tace

By Richard Gourlay in London

THE Norwich Union, the UK insurance company, yesterday won its battle to remove the board of Tace, the environment control equipment group – but not before angry shareholders at the extraordinary general meeting had accused the institution of setting back the course of good corporate governance by decades.

Before the meeting Sir David Nicolson, Tace chairman, and two other non-executive directors resigned from the board after it became clear that institutions were backing the Norwich Union.

The new board, under the chairmanship of former Consolidated Goldfields director Mr Michael Beckett, takes over five days after Cambridge Electronic launched a bid worth more than £35m ($57m) for Tace and its 51 per cent-controlled subsidiary, Goring Kerr.

Sir David attacked the institutions for abusing their power as significant shareholders in industry.

Mr Mike Sandland, the Norwich Union's chief investment manager and chairman of the Institutional Shareholders' Committee, said last week that he was not trying to obstruct the Cambridge bid.

Having lost confidence in Sir David's board, he advised Tace shareholders to do nothing until the new board could decide whether the bid offered a fair price.

Among the shareholders protesting from the floor of the meeting was Mr Jock Mackenzie, founder of Tace, who holds 23 per cent of its shares. The institutions forced him to resign as chairman in January.

He accused the institutions of neglecting their fiduciary duty as shareholders by failing to allow the existing board to remain while a bid was on the table.

The institutions had also sabotaged a corporate restructuring scheme involving the merger of Tace and Goring Kerr which would have cut £840,000 from the tax charge of the combined group, he said.

Before relinquishing his position, Sir David said: "I think it is indicative of the short sighted appreciation of industry among the institutions. We are in the middle of very important negotiations with Cambridge. It is stupid to remove them in the middle of this process and put in a new board with no knowledge of the industry and expect them to do the best for the shareholders."

OMV sets its sights on the international market

The Austrian oil company has plans for its future, writes Deborah Hargreaves

OMV, tbe Austrian national oil company, is setting its sights on the international market with a Sch3.6bn ($283.5m) rights issue that went on sale early this month. The company also is discussing a listing on London's antomated trading system, SEAQ International, and is planning to lanuch a programme of American Depositary Receipts in New York.

The proceeds of the issue will fulfil some of the group's international ambitions in exploring for oil and refining and marketing it through a network of petrol stations. The company aims to become a leading player in the central European petrol market.

Austria's national industrial state holding company, retains a 70 per cent stake in OMV and has agreed to subscribe to its portion of the rights issue.

"We've planned this rights issue for two years as a way to extend our activities internationally and it'e important that we get our name known overseas," said Mr Viktor Klima, the company's finance director.

OMV bought into the North Sea three years ago when it paid what analysts considered a very full price for exploration assets. It has since bean awarded further acreage in the government'e latest licensing round.

The company'e stress on exploration comes from its target of meeting 50 per cent of its own crude oil needs in three years. It currently has 300m barrels of oil reserves and fills 30 per cent of its own crude requirements – this figure rose by 10 per cent last year.

OMV needs crude oil as a feed for its two oil refineries in Austria which have capacity of some 10m tonnes a year, as well as for its joint venture operations it is developing in eastern Europe.

The company is concentrating on the Danube basin where it is hoping to co-operate with refining companies to update their operations and assist in marketing their petrol throughout the region.

For over a year, OMV has been running filling stations in Czechoslovakia, Hungary and Croatia as part of a series of joint ventures with eastern European partners. Dr Meysel is also discussing co-operating with two refineries in Hungary.

The projects involve investment of some Sch1bn each and the company expects agreement on at least one of them by the end of the year.

OMV is looking at these countries for the long haul and expects to see its investments paying off in five to seven years. Its aim is to increase its petrol market share to 10 per cent in Czechoslovakia, Hungary and Yngoslavia in the next few years.

OMV's international expansion includes its gas business where it owns a large pipeline system. OMV is also looking to get into the co-generation business in Austria together with electric power companies.

East Midlands Electricity exceeds City forecasts

By Clare Pearson

EAST MIDLANDS Electricity yesterday kicked off the results seasoo for the UK's 12 regional distribution companies (Recs) by unveiling better-than-expected full-year profits. The company announced historic-cost pre-tax profits of £119.1m ($194m).

The City of London had been prepared for all the Recs to do considerably better than they forecast at flotation last autumn. However, East Midland's performance, compared witb its £88.9m forecast, beat all analysts' expectations.

Professor Stephen Littlechild, director general of Electricity Supply, tbe industry watchdog, used yesterday's result release to remind electricity companies of their obligation to provide their customers with "good valne for money". He warned: "I shall . . . be studying the East Midlands result – and everything contained in those results, not just profits – with particular interest," Professor Littlechild said.

He added that the results would provide valuable information on what income an electricity company really needed to run its business. He said he intended to ensure that profits resulted from "superior performance" in meeting customers' needs.

Professor Littlechild's statement on the Recs' financial performance – his first – lines him up with the regulators of other privatised utilities, who have expressed concern abont their profit levels.

However, his comments were more muted than the sharply-worded letters dispatched by Mr Ian Byatt, economic regulator for the regional water companies, which were privatised a year before the Recs.

Professor Littlechild noted that regulatory controls over how much Recs may raise prices came up for review in 1994.

Though East Midlands' profits confounded market expectations, Mr John Harris, chairman, claimed the results were "predictable when you go through them in detail".

He added: "I do not think the regulator can be surprised at this outturn." Mr Harris also stressed that the company hsd decided not to exceed its prospectus dividend forecast of 10.55p. "That reflects our view of the fundamentals," he said.

Against a falling stock market, East Midlands' share price closed yesterday 0.5p up at 195p.

The Recs were expected to make higher-than-forecast profits in the year to end-March mainly because those forecasts had underestimated profits from their supply businesses.

Unlike the stable distribution side, supply is a volatile business. Amid worries about the effect of the Gulf crisis on oil prices last autumn, Recs built in conservative assumptions on costs which, in the event, turned out to be much lower than forecast.

East Midlands particularly benefitted because it was highly exposed in changes in spot prices in the electricity market pool.

Profits also gained from higber-than-expected sales growth, partly because of the cold weather, and a lower interest charge.

On a pro forma basis, assuming the company had been privatised for a full year, earnings per share would have been 35.6p, against a prospectus forecast of 30.2p. Turnover was £1.33bn.

TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES

JUNE 17 1991 ANNUAL AND EXTRAORDINARY GENERAL MEETINGS

WHEN YOU'RE COMMITTED TO SEIZING OPPORTUNITIES AROUND THE WORLD, YOU NEED A NAME THAT CAN CROSS BORDERS.

SO WE'VE CHANGED OURS.

TOTAL COMPAGNIE FRANÇAISE DES PÉTROLES – JUST CALL US **TOTAL.**

The Annual General Meeting of TOTAL CFP, which took place on June 17, 1991 under the chairmanship of Mr Serge Tchuruk, Chairman and Chief Executive Officer, adopted all the resolutions that were proposed.

Financial statements for 1990 were approved, and a dividend of FF23 was declared. The payout, which is supplemented by a FF11.50 per share French tax credit, represents a 15% increase over the previous year's dividend.

The Extraordinary General Meeting, which was held at the conclusion of the AGM, adopted all the proposed resolutions, and in particular those authorizing a change in the company's name from TOTAL CFP to TOTAL and the absorption of OFP – Omnium Financier de Paris by TOTAL.

CHAIRMAN'S ADDRESS

"Your company's 1990 performance, as presented in your shareholder documents, makes it particularly gratifying for me to welcome you here today. By attaining net income after minority interests of just over FF 4 billion, TOTAL more than doubled 1989 earnings and achieved one of the sharpest year-to-year increases in French industry.

I have therefore moved that the Board of Directors submit for your approval a proposal to increase the dividend payout by 15%, from FF20 to FF23 per share, excluding the tax credit.

Group sales volume rose about five percent, while revenues climbed 19%. The year's strong profit growth was therefore driven essentially by higher margins, both upstream and especially in refining, where the first half of the year saw a particularly robust recovery. These results enabled us to improve our balance sheet structure, even as we made a forward-looking commitment to the future by substantially boosting investment outlays to some FF 20 billion (of which nearly half was spent on acquisitions).

1990 was therefore a year of impressive earnings growth, as reflected by the substantial rise in return on equity, from 8.4% in 1989 to 14.3% last year. But it was also a year of important progress in defining and implementing an industrial strategy that harnesses the Group's considerable strengths, both to bolster positions in the long term and to enhance prospects for shorter-term profit. This dual objective has always been and will continue to be the driving force behind every division in this company.

The Group's oil and gas exploration and production operations saw simultaneous increases in its licensed acreage, reserves and output in most strategically important regions, and particularly in the North Sea, the Far East and South America. This came about through a number of factors, including successful exploration, economically attractive acquisitions of reserves and a rationalization through exchanges of licenses with other operators. Overall, the Group's hydrocarbon reserves (ex cluding the Middle East) grew a further 10% in 1990, for the fifth consecutive year. This was one of the world's best performances.

For gas in particular, 1990 will undoubtedly be remembered as the year when our Group moved up as one of the major players in the natural gas and liquefied petroleum gas markets. In addition to considerable increase of our Indonesian production bound for Japan and Taiwan, substantial progress was made in the Middle East and in Algeria, successfully leading to the conclusion of the major contracts in 1991.

Refining and marketing operations, despite the temporary dip in margins brought about in the fourth quarter by the Gulf crisis, benefited from favourable conditions in areas where we have strong positions – in Europe, the central United States and throughout Africa. Our industrial strategy focuses both on expanding business in Western Europe, where we are already present, and on potentially high-growth areas like Central Europe and the Far East.

We also intend to consolidate our position in the French market. For this reason, recent months saw the acquisition of a major distributor, Pétroles du Midi, which strengthened TOTAL's lead in the French refining and marketing industry. At the same time, the Group continued broad-based efforts to modernize the retail network, including an intensive campaign to give customers better, friendlier and more efficient service, and the creation of a new design for implementation throughout Europe early next year.

Our other major focus is on the opening of markets in Central Europe and the Soviet Union, which will surely be the greatest human and industrial adventure of the century's final decade. It is a process in which your Group is deeply involved. We have already begun to market petroleum products in Hungary and Eastern Germany and are actively seeking other significant opportunities throughout this part of the world.

The Group's critical refining capabilities benefited from major capital expenditures, particularly intended to consolidate TOTAL's forefront position in the French lead-free gasoline market. As a result, one of the world's largest isomerization units came on stream at the Gonfreville l'Orcher (Normandy) refinery, with a capacity of some 500,000 metric tons.

For the chemical division, the highlight of 1990 was the acquisition of Orkem's specialty chemicals business. TOTAL now holds substantial market positions, often on a global level, in inks, paints, varnishes and adhesives. In 1991, synergies continue to be developed among these firms with widely diverse perspectives and corporate cultures. In the industrial rubber business, Hutchinson, which was integrated earlier in the Group, deserves a special mention for its performance. Hutchinson's launching of innovative new products, and particularly in power-transmission and vibration-reduction, more than offset the impact of the car industry's cyclical slowdown. In addition, the Spontex acquisition, which was completed early this year, has bolstered Hutchinson's Consumer Products Division and thus the range of brand names marketed by the TOTAL group.

I could not possibly end this review without saying a few words about the political events that destabilized the international scene last year. During the Gulf crisis, your Group was able to guarantee the safety of its employees based in the Middle East, to keep uninterrupted supplies flowing to refineries, and to minimize financial risks despite extreme fluctuations in international crude-oil and petroleum-product prices. Now that the crisis is over, we are more convinced than ever of the need to strengthen industrial ties between national companies of producing countries and multinational oil firms. Only through closer links will we be able both to ease the consumer nations' energy dependence and to enable producers to achieve their development objectives. TOTAL has initiated, and will continue, actions along these lines.

Having decisively consolidated its recovery in 1990, the Group can look with confidence to the challenges of tomorrow. The current year's favourable outlook, the considerable potential for further productivity gains, as well as greater flexibility in asset management, should enable us to meet our financing needs while continuing to improve our balance-sheet structure. It is only on this condition that I shall be able to maintain the goal I set earlier to make TOTAL one of the world's most profitable oil companies.

In this regard you have been assembled in an Extraordinary Shareholders' Meeting to vote on a proposed merger between TOTAL CFP and OFP, which will boost Group equity without diluting earnings per share.

A second item on the agenda of the Extraordinary Shareholders' Meeting proposes that your Group change its name to "TOTAL." Such a change would further a trend started in 1985 by my predecessor, F. X. Ortoli, who combined the name Compagnie Française des Pétroles with that of its leading brand. TOTAL is clearly the Group's emblem and the common denominator among all its subsidiaries. Since its creation in 1954, over thirty-five years of development have made the name TOTAL well-known around the globe. This goodwill is an invaluable asset that will enhance the Group's visibility as it strives to create a younger, more up-to-date image.

I hope that I have succeeded in conveying my confidence in the bright future that beckons to your Group, and assure you that our people *are determined to make it* work. And I would like to thank each one of you for your help in building our future."

1990 FINANCIAL HIGHLIGHTS

(FF billion unless stated otherwise)	1990	1989(1)	1989(2)
Sales	*128.4*	*107.9*	
Consolidated net income after minority interests	4.1	0.8	2.2
Earnings per share (FF)	89	21	60
Dividend per share (FF)	23	20	
Shareholders' equity (after appropriation of income)	37.9	28.9	
Return on average shareholders' equity	14.3%	8.4%	
Cash flow	11.4	8.5	10.1
Capital expenditures	20.1	*8.7*	

(1) under the replacement cost method used in 1990.
(2) under the 1989 method.

PAYMENT OF DIVIDEND

The Annual General Meeting of Shareholders on 17 June 1991 set the 1990 dividend at FF23 per share, payable as of 24 June 1991.

The dividend will entitle shareholders to a tax credit of FF11.50.

Payment, whose amount will be governed by the double-taxation treaty between France and the United Kingdom, will be made upon presentation of the coupon and a completed FR 4 GB form.

Residents may lodge this form with the bank acting as their agent, either in France or in the United Kingdom, at any time up to 31 December of the second year following the collection date of the coupons. As a result of French legislation relative to the "dematerialisation" of securities, payment of the coupons will be made through the Paris-located banks with which the securities have been deposited.

Copies of the 1990 Annual Report and a summary of the proceedings may be obtained upon request from:
Direction de la Communication
Tour Total
Cedex 47
92069 Paris la Défense
France

TOTAL

INTERNATIONAL COMPANIES AND FINANCE

Parretti enjoined by Delaware court

By Karen Zagor in New York

MR GIANCARLO Parretti, the Italian financier fighting to maintain control of MGM-Pathé, the Hollywood film and television studio he acquired last year for $1.3bn, has had his hands effectively tied by the Delaware chancery court.

The court granted a temporary restraining order against Mr Parretti, his wife Ms Maria Cecconi and Mr Yoram Globus, and against Mr Parretti's Pathé Communications, preventing them from interfering in the corporate governance of MGM-Pathé.

The court also banned the defendants from taking any stockholder action or "from taking any action to represent that they are currently in a position to bind or represent MGM-Pathé".

According to Pathé, the court has limited the ability of MGM's executive committee – namely Mr Alan Ladd and Mr Jay Kanter – to engage in transactions outside of the ordinary course of business without giving five days' notice to Pathé and its representatives of the MGM board.

Pathé contends that Mr Parretti, Mr Globus and Mr Cecconi were not effectively removed as a majority of the MGM board.

In April, Crédit Lyonnais, the French bank which has provided Pathé with about $1.2bn in loans and funds related to MGM, ousted Mr Parretti as chairman of MGM and essentially took control of the company as part of the terms of a $145m loan to keep the studio in business.

On Monday, MGM-Pathé and Credit Lyonnais ejected Mr Parretti and the two other directors from MGM's board and took them to court citing "improper interference in the corporate governance of MGM-Pathé".

Pathé, which is controlled by Mr Parretti and his relatives, has filed a counter-claim in the Delaware chancery court.

Pathé also said it had executed a stockholder consent to remove all of the MGM-Pathé directors and replace them with Mr Parretti, Mr Globus, Ms Cecconi, Mr Lewis Horowitz, Mr Aurelio Germes and Mr Cesare de Michelis.

The chancery court will consider Crédit Lyonnais' decision to exercise its voting rights and its new slate of directors either at a preliminary injunction hearing scheduled for July 2, or at an expedited trail in August.

IBM strikes key strategic alliance

By Louise Kehoe in San Francisco

INTERNATIONAL Business Machines – faced with declining revenues, market share and profits – is demonstrating a renewed determination to expand its dominant share of the computer market through strategic alliances.

The latest agreement, announced on Tuesday, involves an investment of up to $100m in Wang Laboratories, the loss-making US computer maker, over the next three years.

IBM is also reported to be negotiating a broad technology exchange agreement with Apple Computer. The moves reflect a new willingness by IBM to adapt to structural changes in the computer industry by collaborating with other companies. "We cannot do evsrything ourselves," Mr John Akers, IBM chairman, has acknowledged.

John Akers: 'We can't do everything ourselves'

Wang will convert its highly regarded computer image-processing software to run on IBM personal computers, workstations and minicomputers. It will also offer the IBM desktop computers under its own label and resell IBM minicomputers under the IBM name. The agreement should become "a substantial revenue contributor" to the company, said Mr Terry Lautenbach, IBM senior vice-president.

IBM officials said that the agreement with Wang provided a low cost route to meeting its goals of expanding revenues and market share. IBM is also undertaking significant internal efforts to reduce costs and improve its efficiency.

Mr John Akers, in a letter to IBM employees published this week in Think magazine, the company's internal publication, stressed the need for urgent efforts to boost the performance of the company.

"There are no signs of near-term improvement" in business conditions, Mr Akers said. "Business has not picked up since April, and our results remain disappointing overall."

"We must keep driving to make IBM more agile and more efficient," Mr Akers said. "We will reduce the work force and manage our costs, expenses and assets to improve our efficiency. At the same time we are going to aggressively pursue new businesses."

IBM will measure its success in terms of "customer satisfaction and balanced growth in market share and profitability," the IBM chairman added.

"We are moving more aggressively into growth businesses such as software and services and supplying our products to original equipment manufacturers," he said.

Eljer defers decision on Jacuzzi takeover offer

By Niki Tait in New York

THE battle between Jacuzzi, the whirlpool bath maker owned by Britain's Hanson group and its potential bid target, Eljer Industries, has taken a new turn. The Texas-based manufacturer of plumbing and ventilation equipment said that it had decided to "defer consideration" of Jacuzzi's $20-a-share offer.

Eljer said its decision resulted from an adverse court decision in its suit against Liberty Mutual Insurance. This, it explained, centres on "the timing and availability of insurance coverage for claims relating to the Qest polybutylene plumbing system manufactured and sold by United States Brass Corporation and other manufacturers". Five per cent of the ½ million-plus systems installed between 1979 and 1986 have generated claims against US Brass and other manufacturers.

Eljer said it would appeal the decision, but apparently contends that the matter is sufficiently material to have a bearing on the valuation of the group.

Jacuzzi's immediate response was to express "disappointment" at the Eljer statement, but it declined to be drawn on its future course of action.

Telecoms group to float 20% of cell phone unit

By Robert Gibbens in Montreal

ROGERS Communications, the Canadian telecommunications and broadcasting group, is taking its fast-growing cellular telephone subsidiary public to help shore up its financial performance.

Rogers will sell 20 per cent of its fully owned Rogers Cantel Mobile Communications in Canada and the US to raise up to C$450m (US$395m), depending on demand.

Goldman Sachs will lead the Canadian and US underwriting group. The price will be C$22 to C$25 a share for up to 18.7m shares.

Rogers Cantel, which operates a national cellular phone network with 300,000 subscribers, is still showing losses following heavy investment, but cellular telephone stocks are in favour in North America.

Proceeds from the issue will be used to reduce Rogers' group debt, which now stands at about C$2bn.

● BCE Mobile Communications, Cantel's main competitor, has raised C$90m by a private placement of five-year unsecured debentures with worldwide institutions.

● National Sea Products, Canada's biggest fish producer, plans to raise C$38m in a public offer and is selling assets outside North America.

Negotiations with IRS cloud Drexel settlement

By Nikki Tait

A POTENTIAL settlement of the securities litigation hanging over Drexel Burnham Lambert remains in doubt unless an agreement can be struck with the Internal Revenue Service, which has filed a $5.8bn claim against the now-defunct investment bank, within the next 48 hours.

Drexel – which filed for bankruptcy protection in February 1990 – said that a court case to hear the merits of the IRS claim would begin on Friday unless agreement can be reached.

The arrangements were agreed in May between the parties who had brought actions against Drexel, and the former bank's normal creditors. The deal would split assets between these interests.

This arrangement, however, was conditional on a very sharp reduction in the claim by the IRS, which leads the list of creditors. Drexel's assets are currently estimated at about $2.5bn.

● Travelers, the US insurance group, plans to cut its data processing staff by about 300 people, or 9 per cent, by the first quarter of 1992.

The job eliminations, which will occur primarily at Travelers' Hartford, Connecticut office, are intended to streamline operations and reduce costs.

MUI takes stake in group with US links

By Lim Siong Hoon in Kuala Lumpur

MALAYAN United Industries (MUI), the Malaysian conglomerate, has begun restructuring its activities and has acquired a significant stake in Innovest, a local group with global interests in food and engineering.

Innovest has a 34 per cent stake in Monarch Foods, the US operator of the worldwide Shakey's restaurants chain, and operates the US-based Kentucky Fried Chicken chain in Malaysia. It also makes sulphuric acid and electrical equipment.

MUI's M$114m ($41m) acquisition, in exchange for its 50 per cent holding in a Singaporean cement plant, gives it a 37.3 per cent stake in Innovest. But to avoid making a mandatory general offer required by local takeover rules, MUI is to trim its shareholdings to 24 per cent.

Innovest reported a 42 per cent increase in turnover last year to M$858m, but operating losses reached M$21m last year.

MUI had a 1990 pre-tax profit of M$62m compared with M$39m in 1989; its assets, at M$5.5bn, are nearly nine times those of Innovest.

The Innovest deal, announced yesterday, comes on top of MUI's capital restructure plans for its publicly-listed manufacturing and hotel sobsidiary, Malayan United Manufacturing (MUM).

● Golden Hope, formerly Harrisons Malaysian Plantations, the palm oil, rubber and cocoa group, has suffered a fall in turnover and profits for the third successive year.

Operating margins have also fallen sharply, from 34 per cent in 1989 to 14 per cent for the year to March.

Turnover fell 6 per cent last year to M$398m, its lowest in nearly a decade. Pre-tax profit dropped 34 per cent during the year to M$66m.

The group blamed reduced commodity prices and investment income for the decline.

Bridgestone to shake up Firestone unit and cut jobs

By Stefan Wagstyl in Tokyo

BRIDGESTONE, the Japanese tyremaker, yesterday announced plans for restructuring its loss-making US subsidiary, Bridgestone/Firestone.

The troubled US operation has been losing money since Bridgestone bought Firestone Tire and Rubber three years ago. In the latest shake-up, the company's American headquarters is to be moved from Akron, Ohio, where Firestone was founded in 1900, to Nashville, Tennessee, where Bridgestone started its first US factory in the early 1980s. Some of the 1,350 headquarters staff will lose their jobs.

The planned closure of the Akron headquarters has raised protests from ex-Firestone employees and from people living in the town.

Bridgestone's move highlights the difficulties some Japanese manufacturing companies are facing due to the economic downturn in the US. Other companies have had to cut output – including carmakers such as Toyota Motor, Nissan Motor and Honda Motor and steelmakers operating joint ventures, among them Nippon Steel and Sumitomo Metal Industries.

However, few Japanese companies have fired US employees, partly for fear of provoking political reaction and partly because Japanese companies generally regard dismissals as a last resort.

But Bridgestone's problems are greater than most because of the depth of the recession in the world tyre industry.

Bridgestone/Firestone lost some Y47.2bn ($332m) last year, almost wiping out the substantial profits made by the parent company in Japan and cutting the group's consolidated net profit to Y4.5bn. It had originally expected net profits of Y20bn.

Bridgestone, which paid $2.6bn for Firestone, injected $1.4bn into the US operation this year. Bridgestone initially allowed Firestone executives a fairly free hand to avoid antagonising US political opinion, but has steadily tightened control over the former Firestone business; this year it has sent a Japanese chief executive to Akron.

Bridgestone's main consolation is that other top tyremakers – such as Goodyear of the US and Michelin of France – also face difficult market conditions. Bridgestone's financial strength means that it is better placed to cope with the problems than some of its rivals.

Janome in robots venture

By Robert Thomson in Tokyo

JANOME Sewing Machine, the Japanese sewing machine maker entangled in financial scandal, announced yesterday that it was to attempt to improve a troubled financial outlook by jointly developing industrial machinery including robots.

Janome's move deeper into the industrial equipment sector reflects a general Japanese corporate shift from financial engineering back to the basics of industry. It also highlights the importance of bank ties in the rehabilitation of troubled Japanese companies.

The company was caught up in the Y300bn ($2bn) collapse this year of Nanatomi, a property developer, and was involved in deals with a stock speculator group, Koshin, that led to the recent resignation of a leading Japanese banker with close links to the sewing machine maker.

Janome has had close links to Saitama Bank, now known as Kyowa Saitama Bank. This bank has a 3.7 per cent holding in Janome's partner in the new industrial equipment venture, Amada, a maker of metalworking machines. Saitama Bank introduced the two companies and is expected to fund the project.

The bank is overseeing the financial restructuring of Janome, having overhauled the company's management.

Mr Takeo Masuno, Saitama's president, announced last month that he would resign to take responsibility for having authorised Y80bn in loans to the Koshin group, which had threatened to transfer its shareholding in Janoma to a gangster-affiliated group.

Janome inherited an estimated Y255bn in debts from its links with Koshin and Nanatomi. The chairman of Nanatomi, Mr Masayuki Yasuda, was also a vice-president at the sewing machine maker and encouraged its diversification into sports clubs, restaurants and other property-related developments.

However, many Japanese manufacturing companies now find that their banks are unwilling to lend for share or property dealings and are insisting that investments be close to core expertise. The banks' caution is prompted by a surge in bankruptcies among small manufacturing companies which have engaged in speculation, and by uncertainty about a soft Japanese property market.

Janome had been hoping to reduce its reliance on sewing machines by expanding its role as a property developer. However, the company's new management has turned back to manufacturing industry as a means of trading its way out of financial trouble.

The company is hoping that sales in the new industrial equipment division will total Y10bn yearly within three years, which would account for between 10 and 15 per cent of total sales. Amada plans to use Janome's expertise in motor development to develop industrial machines, while Janome-made industrial presses will be sold through Amada's sales network.

TNT says Foster's sale 'not move to cut debt'

By Kevin Brown in Sydney

TNT, the troubled Australian transport groop, yesterday confirmed the sale of 17.5m shares in Foster's Brewing Group for A$27m (US$20m), but denied that the disposal was part of a programme to cut debt.

The group was responding to an official request from the Australian Stock Exchange (ASX) for a statement "so that the market may be fully informed regarding the ongoing debt reduction programme of the company".

TNT said the disposal was not big enough to warrant disclosure, and "should not be viewed as part of an alleged debt reduction programme".

The groop's shares came under strong selling pressure on the ASX last week amid coocern over the financial position of an associate company, America West Airlines.

America West has announced that it plans to defer payments on aircraft leases, and that it intends not to make a scheduled interest payment next month on convertible subordinated debenture stock.

TNT has an indirect holding in America West through Ansett Transport Industries, a joint venture with News Corporation, Mr Ropert Murdoch's media group.

America West's plan to defer lease payments will also affect the revenue of Ansett Worldwide Aviation Services (AWAS), also jointly owned by TNT and News Corp. America West leases 11 aircraft through AWAS for a total monthly rental of US$2.3m.

The airline says it is negotiating long-term finance which will allow it to restart leasing payments to AWAS.

TNT's share price has been under pressure since it reported a surprise loss of A$89m for the nine months to the end of March. The shares closed down 2 cents at 94 cents yesterday while Foster's ended 1 cent lower at A$1.59.

INTERNATIONAL COMPANIES AND FINANCE

No patience for Canada's problem child

Bernard Simon says political pressure was behind the pricing in Petro-Canada's sell-off

The question of whether privatisation of stata indnstry should be driven by a political agenda or by sound husiness principles has loomed large in the spin-off of Petro-Canada, Canada's biggest domestically-ownad energy company.

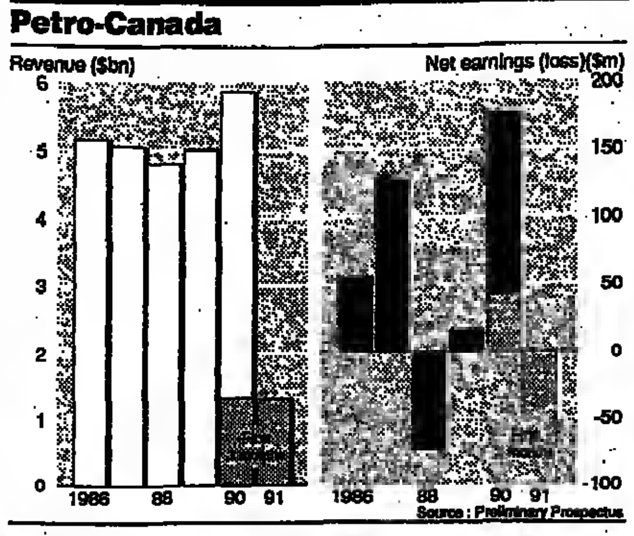
This week's pricing of its first public share issue is being taken as evidence that the political imperative has gained the upper hand in the most ambitious privatisation of the past seven years by the Progressive Conservative government of prime minister Brian Mulroney.

The 39.5m shares, representing almost 20 per cent of Petro-Canada's total equity, are being sold at C$13 apiece. The price is below almost every forecast made when the preliminary prospectus was puhlished last month, and means the government will receive C$514m (US$450.9m) for its stake, or about C$50m less than expected. (Employees have applied for another 2.6m shares at a cost of C$31.7m.)

Barring a buying stampede when the shares are listed in early July, the low price also means Petro-Canada will start trading at a discount of more than 40 per cent of its net asset value, a far wider margin than the foreign-owned integrated oil companies which do business in Canada.

Even these companies are trading at price-earnings multiples well above most of their international counterparts. With the market for refined products shrinking and little prospect of a short-term revival in oil or natural gas prices, the Canadian integrated energy groups are not on most analysts' buy lists.

Petro-Canada



Source: Preliminary Prospectus

Petro-Canada's own financial performance has been less than stellar. It lost C$52m in the first three months of this year and warned this week that it was still in the red in April and May as a result of a weak performance by its downstream business.

"If this were the real world of economics, the CEO would have said: 'Let's try the share issue a year from now'," concludes Mr Graham Notman, oil analyst at Sprott Securities in Toronto.

However other factors are at play in the privatisation. Much of the impetus for the privatisation has come from the federal finance department, which is anxious to avoid further calls for funds from a company which is consuming considerably more cash than it generates.

In pitching the shares at a low price, the government has also minimised the risk that tens of thousands of Canadians who have subscribed to the issue will hurn their fingers.

Petro-Canada has already had more public anger heaped on it in its short 16-year history than any other company in recent Canadian history.

It was formed in 1975 to give Ottawa a "window" on the domestic energy industry following the first Opec oil crisis. Petro-Canada grew through a succession of large acquisitions, involving mainly the local subsidiaries of foreign-owned oil companies, including Atlantic Richfield, Pacific Petroleums, Petrofina and British Petroleum. Most recently, it acquired service stations and other downstream assets from Gulf Canada.

Petro-Canada benefited handsomely from lavish grants and other incentives provided by former prime minister Mr Pierre Trudeau's Liberal government in the early 1980s. These funds were intended to strengthen the Canadian industry and open up new areas of oil and gas activity.

The company now has assets of over C$7bn, including oil reserves totalling an estimated 223m barrels, 3,000bn cu ft of natural gas reserves, four large refineries and 3,200 retail petrol outlets.

Petro-Canada owns 17 per cent of Syncrude in northern Alberta, the world's largest oil-sands mining operation. Outside Canada, it has a 50 per cent stake in a new oilfield in Colombia, and exploration rights in Vietnam, Burma and Yemen.

However Petro-Canada's rapid growth at the expense of other companies caused it a huge public relations problem, especially in the oil and gas producing regions of the western Canadian provinces.

Its rust-coloured, 50-storey head office building in Calgary was for a time nicknamed Red Square. Motorists carried bumper stickers urging others not to fill up at a Petro-Canada station.

The protests have died down in recent years, hut the company remains saddled with some of the baggage it acquired as a Crown corporation. It is rich in assets, but by most measures of efficiency it lags behind Canada's other two publicly-traded integrated oil companies, Imperial Oil (70 per cent owned by Exxon) and Shall Canada (in which Royal Dutch Shell has a 78 per cent stake).

Petro-Canada earned a mediocre 4.7 per cent after-tax return on invested capital last year, against Imperial's 6.4 per cent and Shell's 6.9 per cent.

It has narrowed its focus and tightened its belt in preparation for privatisation. Its oil output will rise substantially when the 25 per cent-owned Hibernia field, off the coast of Newfoundland, comes onstream in 1996. It has also become a leading distributor of propane.

Meanwhile, its retail network has shrunk by 17 per cent since 1986, and it has sold large chunks of oil and gas properties. Its holdings in "frontier areas", such as the Arctic, have been chopped from 35.1m acres to 14.1m acres. The workforce was cut by 900 or 10 per cent last year, with another 250 to 300 jobs due to disappear this year.

One Calgary oil consultant says thet "while they have made some moves towards operating like a private business, they still have an awfully long way to go. They're still a large bureaucratic organisation". A large fleet of aircraft and lavish executive offices, for example, remain part of the corporate culture.

Investors who have bought Petro-Canada shares are clearly hoping the hreeze of private ownership will encourage management to move even faster in sweeping away the cobwebs. While the government still owns 80 per cent of the company, it plans to sell its remaining stake over the next year or two.

Davignon to join ICL board

By Alan Cane

ICL, THE UK-based computer manufacturer in which Fujitsu of Japan has an 80 per cent stake, yesterday underlined its credibility as a European company with the appointmeot of Viscount Etienne Davignon to its main board.

Viscount Davignon is chairman of Société Générale de Belgique, Belgium's leading holding company, and a former Commissioner of the European Community.

He was vice-president of the European Commission from 1977 to 1984.

He will also serve as executive adviser to Fujitsu on issues involving the glohalisation of the Fujitsu group.

Fujitsu intends to huild a global family of information technology companies, some that it will own, and others that it will hold a minority stake in.

During his period at the EC, Viscount Davignon was responsible for initiating its information technology research and development framework programma, developed as a response to increasing US and Japanese investment in advanced computer technology. Projects that evolved from this included Esprit and Race.

Etienne Davignon: sparked EC's research work on IT

ICL's hoard, announced yesterday, will also comprise Mr Peter Bonfield and Mr Keith Todd, ICL execntiva chairman and director of financa respectively; Mr Koshiro Kitazato, who co-ordinates ICL and Fujitsu's activities; Mr Michio Naruta, Mr Toshio Hiraguri and Mr Kazuto Kojima of Fujitsn; Mr Arthur Walsh and Mr Kenneth Gardener of Northern Telecom; and Mr Kalle Isokallio, head of Finland's Nokia Corporation.

ICL's main board places the final seal of approval on strategic moves such as acquisitions and legal issues. The day-to-day running of the company and its strategic direction is the responsibility of the management board, composed entirely of ICL executives.

An ICL representative said further moves were expected to insert hroader international participation into the main board.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985=100); engineering orders (£ billion); retail sales volume and retail sales value (1985=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s).

	Indl. prod.	Mfg. output	Eng. order*	Retail vol.	Retail value*	Unemployed	Vacs.
1990							
1st qtr.	109.7	118.5	34.3	120.6	132.7	1,612	198.6
2nd qtr.	111.0	120.5	36.0	121.3	140.5	1,612	186.5
3rd qtr.	110.2	118.4	35.2	120.3	141.0	1,655	166.5
4th qtr.	106.6	114.7	32.9	119.1	170.0	1,779	134.6
February	109.2	119.1	35.0	121.7	132.5	1,614	199.9
March	110.6	120.7	34.3	120.5	133.6	1,607	196.2
April	111.7	120.6	35.3	121.4	141.3	1,607	199.9
May	110.7	120.7	36.4	122.1	142.1	1,611	185.3
June	112.1	120.0	36.0	120.5	138.6	1,616	185.4
July	109.1	119.5	35.0	121.4	144.0	1,632	172.4
August	108.1	118.4	35.2	119.4	140.5	1,665	167.8
September	107.8	117.2	35.2	120.2	140.6	1,679	159.2
October	107.0	115.6	34.0	119.0	145.4	1,706	142.6
November	106.1	113.9	34.0	118.4	157.5	1,783	132.4
December	105.4	114.5	32.9	119.7	201.8	1,842	128.7
1991							
1st qtr.	105.3	113.5	31.0	120.1	140.0	1,987	144.7
January	105.1	114.2	33.1	118.6	128.4	1,882	143.4
February	103.9	112.9	32.7	118.5	136.3	1,980	146.6
March	107.8	113.4	31.9	122.6	144.1	2,091	143.5
April	104.1	112.6		118.6	140.3	2,174	128.1
May				118.5		2,244	110.6

OUTPUT- By market sector; consumer goods, investment goods, intermediate goods (materials and fuels), engineering output, metal manufacture, textiles, clothing and footwear (1985=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textiles etc.	Housg. starts*
1990.							
1st qtr.	115.0	122.1	103.2	121.0	119.9	98.9	14.3
2nd qtr.	115.3	124.7	105.9	122.8	125.5	97.3	14.1
3rd qtr.	114.5	120.1	101.6	119.2	124.8	95.1	13.0
4th qtr	113.0	114.8	100.9	115.1	116.1	92.1	11.4
February	114.4	122.8	102.5	121.0	117.0	99.0	12.8
March	116.6	122.8	104.3	122.6	124.0	99.4	16.0
April	116.2	124.9	105.2	123.9	123.0	97.8	13.8
May	116.0	125.7	103.6	123.8	124.0	97.0	14.7
June	114.7	123.6	108.2	122.6	130.0	97.8	13.7
July	114.9	120.8	102.0	121.0	127.0	95.9	13.8
August	114.7	120.4	100.9	119.0	118.0	96.0	13.3
September	114.4	118.6	101.8	117.8	127.0	94.0	12.6
October	114.8	114.9	102.4	116.9	114.0	94.8	13.2
November	112.3	112.8	101.1	113.0	118.0	92.0	11.3
December	112.1	116.7	99.3	116.0	116.0	91.0	9.1
1991							
1st qtr.	110.5	117.3	100.8	114.9	110.3	90.1	12.0
January	111.0	117.7	98.2	116.0	110.0	91.0	12.4
February	109.8	116.9	102.1	113.0	108.0	90.0	10.4
March	110.6	117.8	102.0	114.0	113.0	89.8	13.1
April	110.1	116.1	97.3	113.8	111.6	88.0	14.5

EXTERNAL TRADE- Indices of export and import volume (1985=100); visible balance (£m); current balance (£m); oil balance (£m); terms of trade (1985=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms of trade*	Reserves US$bn
1990							
1st qtr.	124.8	140.5	-5,906	-5,184	+383	57.4	36.78
2nd qtr.	126.6	146.4	-5,264	-5,056	+434	97.8	38.99
3rd qtr.	123.7	142.0	-3,748	-1,937	+445	101.5	39.07
4th qtr.	125.8	138.9	-2,974	-1,622	+314	101.8	38.60
February	124.4	140.2	-1,530	-1,159	+108	97.4	38.54
March	125.2	152.6	-2,272	-1,899	+142	96.6	39.29
April	127.2	151.4	-2,113	-1,926	+174	97.7	39.03
May	128.6	145.8	-1,510	-1,323	+106	57.5	38.93
June	128.6	144.1	-1,661	-1,474	+162	97.8	39.01
July	118.8	145.2	-1,798	-1,384	-5	96.6	38.84
August	124.2	141.6	-1,257	-822	+176	102.1	39.30
September	128.1	138.1	-892	-257	+274	103.7	39.06
October	126.4	142.7	-1,115	-494	+77	102.1	38.57
November	128.8	140.3	-1,004	-293	+118	102.5	38.47
December	124.3	133.6	-865	-144	+119	99.9	38.46
1991							
1st qtr.	124.2	137.6	-2,821	-2,590	+221	100.2	40.85
January	120.2	141.6	-1,278	-778	-120	100.7	38.37
February	125.8	132.8	-707	-207	+157	99.9	41.79
March	126.7	138.4	-836	-336	+184	100.6	42.33
April	124.8	139.7	-839	-339	+40	99.7	43.59
May							43.71

FINANCIAL-Money supply M0, M2 and M4 (annual percentage change); bank sterling lending to private sector; building societies' net inflow; consumer credit†; Clearing Bank base rate (end period).

	M0 %	M2 %	M4 %	Bank lending £m	BS inflow* £m	Cnsmer. credit† £m	Base rate %
1990							
1st qtr.	6.5	6.5	18.3	+21,505	1,116	+911	15.00
2nd qtr.	6.9	8.4	17.7	+17,379	2,295	+721	15.00
3rd qtr.	4.9	8.1	16.0	+14,423	1,942	+558	15.00
4th qtr.	3.2	7.9	13.7	+15,930	1,210	+712	14.00
February	6.4	8.4	18.3	+8,480	383	+278	15.00
March	5.9	9.0	18.6	+7,281	363	+141	15.00
April	7.8	8.7	17.8	+4,849	783	+158	15.00
May	6.9	6.9	17.7	+6,547	703	+322	15.00
June	6.3	8.5	17.5	+5,983	800	+240	15.00
July	6.9	8.7	17.0	+4,750	583	+159	15.00
August	4.5	7.9	16.5	+5,154	525	+196	15.00
September	4.9	7.9	15.8	+4,519	835	+201	15.00
October	3.9	7.5	14.4	+5,077	932	+342	14.00
November	3.2	7.5	14.3	+6,630	-209	+229	14.00
December	2.7	7.9	12.3	+3,317	596	+141	14.00
1991							
1st qtr.	2.9	10.2	10.7	+10,573	2,085	+341	12.50
January	3.4	6.9	11.3	+4,307	934	+96	14.00
February	2.6	10.2	10.9	+4,639	608	+94	13.00
March	2.8	10.6	9.9	+1,627	543	+153	12.50
April	1.8	11.0	18.0	+3,441	1,337	+235	12.00
May							11.50

INFLATION-Indices of earnings (1980=100); basic materials and fuels; wholesale prices of manufactured products (1985=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 18th 1931=100); trade weighted value of sterling (1985=100)

	Earnings	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters cmdty.*	Sterling*
1990							
1st qtr.	116.0	105.7	123.1	120.4	116.9	1,855	88.1
2nd qtr.	118.5	103.5	125.7	126.8	119.6	1,904	89.3
3rd qtr.	120.7	102.4	126.8	128.1	118.7	1,803	94.2
4th qtr.	123.5	103.7	128.3	130.1	121.3	1,731	94.1
February	116.9	104.8	123.0	120.2	117.8	1,789	88.6
March	117.3	106.1	123.8	121.4	117.7	1,868	87.0
April	117.4	104.7	125.1	125.1	118.8	1,929	87.1
May	118.7	102.8	125.8	126.2	120.1	1,922	88.8
June	119.8	102.1	126.1	126.7	120.0	1,869	90.4
July	118.9	101.1	126.4	126.8	119.8	1,829	93.5
August	120.7	101.9	126.3	128.1	120.0	1,782	95.3
September	121.6	104.1	127.9	129.3	120.5	1,801	93.8
October	122.3	106.4	127.9	130.3	120.4	1,737	94.8
November	120.3	103.8	128.4	130.6	121.3	1,760	94.3
December	136.0	104.7	128.7	129.9	122.1	1,716	93.3
1991							
1st qtr.	126.5	103.0	130.6	130.5	123.9	1,659	93.5
January	126.7	104.4	130.2	130.2	122.9	1,686	94.7
February	126.4	102.3	130.7	130.9	124.4	1,669	94.3
March	127.5	102.4	131.0	131.4	124.4	1,714	92.8
April	127.3	103.5	132.9	133.1	125.9	1,737	92.3
May		103.5	133.4	133.5	125.6	1,721	91.7

*Not seasonally adjusted.

†Net changes in amounts outstanding, excluding bank loans.

INTERNATIONAL CAPITAL MARKETS

European banks may dissolve agreement

By Tom Burns in Madrid

EUROPARTNERS, the long-standing association linking Commerzbank, Crédit Lyonnais, Banco di Roma and Banco Hispano Americano, has given itself six months to decide on whether to wind up the group or give it an ambitious new lease of life, the Spanish partner said yesterday.

The four banks decided at their annual meeting in Berlin earlier this week to cancel five of the eight Europartner working sessions scheduled for the remainder of this year and to meet again in January for a final decision on the future of the informal co-operative.

"In January we could decide to switch off the lights and call it a day or relaunch the venture entirely on a new footing," said Mr Alvaro Fernndez de Villaverde, a senior Hispano Americano executive. The Berlin meeting reviewed the possibility of creating a pan-European bank through asset swaps between the partners.

Hitherto the four partners have exchanged mostly information on training methods and banking techniques, although there were limited share swaps. Commerzbank has 10 per cent of Hispano Americano and the Spanish bank holds 4 per cent of Commerzbank.

"With the onset of the single market in Europe the situation is now very different to that of 1970 when Europartners was created," Mr Fernndez de Villaverde said. At the time the association was seen as a defensive move by the European institutions against a feared invasion by US banks.

Circumstances have also been altered by the current merger negotiations between Hispano Americano and Banco Central and by those of Banco di Roma with Rome's Savings Bank and, in particular, by Crédit Lyonnais' sudden expansion into Spain where it has bought two small banks in the past year.

The French bank's Spanish deals were viewed by Hispano Americano as a breach of the territorial understanding among the Europartners.

German insurer in international equity offering

By Katharine Campbell in Frankfurt

VOLKSFURSORGE, the German insurance group, is floating around DM800m of stock in the first internationally syndicated equity offering in the German market.

Deutsche Bank, which has put the consortium together with co-leads CSFB Effectenbank and Commerzbank, was to have gone ahead with a domestic issue last summer, but market conditions precipitated by the Gulf crisis caused the offering to be postponed.

Volksfürsorge derives 75 per cent of its premium income from life business, with the balance from household contents policies and motoring cover. Premium income last year amounted to DM3.87bn and is estimated to reach DM4.17bn for 1991. The flotation consists of 999,997 bearer shares, at an indicative price of DM800.

Mr Gerhard Bruckermann, head of syndication at Deutsche Bank, explained the distinguishing feature of the issue was that instead of having fixed underwriting quotas, as in traditional German equity placements, banks will earn the bulk of their fee by placing as much paper as they can, hence concentrating the sales effort.

Further terms will be set at the end of the month, with the subscription period provisionally set for July 11-16. The issue stems from the sale by BGAG, the trade union holding company, of half its 50 per cent stake in Volksfürsorge. The two other shareholders are Aachener & Münchener and the Italian La Fondiaria, each with 25 per cent.

Bikuben merges with South Jutland savings bank

BIKUBEN, the third ranking Danish savings bank, has merged with Sydjylland, the South Jutland savings bank, writes Hilary Barnes from Copenhagen.

The link boosts Bikuben's assets by DKr20bn to DKr90bn and will strengthen its regional position.

The merger increases Bikuben branch numbers to 370 and lifts employees to 5,400.

The merger is being made through share exchange of 12 Sydjylland shares for 11 Bikuben shares. For the year 1990 Sydjylland made a loss of DKr82m.

Treasuries unmoved by signs of recovery in US

By Karen Zagor in New York and Simon London in London

US Treasuries traded in a narrow range yesterday morning and were largely untouched by the midday release of the Federal Reserve's "beige book" – a compilation of reports on business conditions in the 12 federal reserve districts.

At mid-session, the Treasury's bellwether 30-year bond was 1/32 lower at 95 19/32, yielding 8.52 per cent. Shorter-dated maturities were unchanged to 1/32 higher. The Federal Reserve arranged $2.5bn in customer repurchase agreements when Fed funds were trading at 5¾ per cent.

There were no surprises in the Fed's beige book which said that "economic conditions appear to be improving modestly in much of the nation".

■GERMAN government bond prices were firm yesterday as the market took heart from the late weakness of the dollar. The September bund future in London closed the day at 85.79, up from the opening level of 85.63. Volume was a healthy 33,000 contracts.

The dollar was trading at DM1.7880 by late afternoon, down from a high of DM1.81. Analysts said the Group of Seven meeting in London this weekend held the promise of intervention to stem the rise of the US currency. The foreign exchange markets were anticipating such a move. Earlier the Bundesbank drained DM3.7bn from the money market in its regular repurchase operations, leading to fears of higher short-term interest rates. However, short rates hardly moved, with the Bundesbank accepting bids at an unchanged 8.8 per cent.

The French government bond market continued to retreat yesterday as hopes of an early easing in monetary policy receded. The September bond futures contract closed the trading day at 104.48, against 104.60 on Tuesday.

■IN London, government bond prices were little changed ahead of M4 (broad money supply) figures announced today. The benchmark 11¾ per cent gilt maturing 2003/2007 closed at 107¾, down just 1/32 from the opening price, for a yield of 10.552 per cent.

Today's money supply figures are expected to show a slowdown in lending during May. Analysts' forecasts centre on a M4 lending figure of £3bn for May, down from £3.4bn in April.

■JAPANESE government bonds closed lower yesterday as investors became more convinced that the monetary authorities are unlikely to cut interest rates in the near future. The benchmark government bond issue No 129 closed the day in Tokyo on a yield of 6.90, against 6.875 on Tuesday.

However, in London prices recovered as the dollar lost ground, trading back up to yield 6.885 per cent.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	104.0728	-1.126	11.32	11.07	10.50
BELGIUM		10.000	08/00	104.2500	-	9.28	9.26	9.17
CANADA *		9.750	06/01	98.4750	-0.450	9.99	9.28	9.63
DENMARK		9.000	11/00	98.4750	-	9.23	9.21	9.10
FRANCE	BTAN	9.000	02/96	98.8286	-0.109	9.28	9.18	8.92
	OAT	9.500	01/01	101.7000	-0.210	9.21	9.13	8.84
GERMANY		8.375	05/01	100.3800	+0.190	8.31	8.36	8.36
ITALY		12.500	03/01	97.9500	-0.080	13.28	13.05	13.04
JAPAN	No 110	4.600	06/99	87.1014	-0.195	7.36	7.32	7.01
	No 129	6.400	03/00	97.2974	-0.132	6.89	6.90	6.62
NETHERLANDS		8.500	03/01	99.1500	-0.050	8.62	8.66	8.63
SPAIN		11.900	07/96	99.6500	-0.100	11.99	11.99	11.97
UK GILTS		10.000	11/96	98-09	-01/32	10.42	10.41	10.33
		10.000	02/01	98-22	-04/32	10.55	10.62	10.39
		9.000	10/08	90-07	-03/32	10.21	10.20	10.06
US TREASURY *		8.000	05/01	97-24	-03/32	8.34	8.33	8.09
		8.125	05/21	95-19	-05/32	8.53	8.53	8.29

London closing, *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

Moody's downgrades Sumitomo

SUMITOMO Bank had its credit rating for senior debt downgraded from Aa1 to Aa3 by Moody's Investors Service, the US credit rating agency, writes Simon London.

The decision, which affects $4.5bn of long-term debt, underlines the difficulty in providing an accurate assessment of credit quality of banks in a recession.

Standard & Poor's, another big US rating agency, rates Sumitomo AA for long term debt (one notch higher than Moody's), while IBCA, the UK-based credit rating agency, rates the bank AA+, two grades higher.

Both S&P and IBCA said yesterday that they have no plans to review their ratings in the near future.

However, Mr David Marshall, IBCA director responsible for the rating of Japanese banks, said that all ratings would be reviewed following visits to the banks' head offices next month.

Moody's cited Sumitomo's exposure to Itoman, the troubled trading and real estate company, as a reason for its downgrading of the bank's debt. Sumitomo has increased its loans to Itoman to Y400bn.

However, like other Japanese banks, Sumitomo's loan loss provisions remain small. No loans to Itoman have been written off. For the financial year 1990-91 Sumitomo posted the biggest profit of the 12 Japanese commercial banks at Y263bn.

One problem for credit rating analysts is to assess the varying loan loss provisioning policies of different international banks. In Japan, provisions have to be approved by both the Ministry of Finance and the taxation authorities.

However, the problem of diverging credit ratings is not restricted to Japan. Earlier this year, Moody's lowered the credit rating of Citicorp two notches from A-3 to Ba-2. S&P and IBCA still rates the US bank A+, four notches higher.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:06 pm on June 19

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101½	102		7.87
ALBERTA PROVINCE 9 3/8 95	600	103	103½	-⅛	8.50
AUSTRIA 8 1/2 00	400	97⅞	98⅜		8.85
BANK OF TOKYO 8 3/8 96	100	98⅞	99⅜	+⅛	8.72
BELGIUM 9 1/8 92	400	101½	102	-⅛	7.76
BFCE 7 3/4 97	150	97⅞	98¼	+⅛	8.24
BNP 8 5/8 94	300	101¼	101⅝		8.14
BP CAPITAL 9 5/8 95	150	102⅝	103⅛	+⅛	7.73
CANADA 9 96	1000	102⅝	103		8.28
CAROS 9 1/4 96	650	100	101	+⅛	9.24
CCCE 9 1/4 95	300	103¼	103½	+⅛	8.21
COUNCIL EUROPE 8 96	100	98¼	98¾		8.43
CREDIT FONCIER 9 1/2 99	300	103⅜	103⅝		8.86
DENMARK 0 98	250	54¼	55	-⅛	8.96
DENMARK 8 1/4 94	150	100⅝	101		8.00
ECSC 8 1/4 96	195	99⅞	100¼	+⅛	8.26
EEC 7 1/4 93	250	99⅝	100		7.46
EIB 7 3/4 96	250	97⅞	98¼		8.28
EIB 9 1/4 97	1000	102¼	102⅝	-⅛	8.76
ELEC DE FRANCE 9 98	200	101⅝	102⅛		8.66
EUROFIMA 9 1/4 96	100	101⅞	102⅜	-⅛	8.76
EXPORT DEV CORP 9 1/2 98	150	103⅝	104		8.78
FINLAND 7 7/8 97	200	96¼	96¾	+⅛	8.73
FINNISH EXPORT 9 3/8 95	200	103¼	103¾		8.46
FORD MOTOR CREDIT 9 1/2 93	100	102⅝	103	+⅛	8.25
GEN ELEC CAPITAL 9 3/8 96	100	103	103⅜	-⅛	8.60
GMAC 9 1/8 96	200	100⅜	100⅝	-⅛	9.07
HALIFAX 9 1/2 93	200	102¼	102¾	-⅛	8.24
IBM WORLD TRADE 7 5/8 93	150	100	100½	+⅛	7.59
IND BK JAPAN FIN 7 7/8 97	200	95⅞	96⅜	-⅛	8.80
INTER AMER DEV 7 5/8 96	200	96¼	96¾	-⅛	8.50
ITALY 8 1/2 94	1500	101⅞	101⅞		8.03
JAPAN DEV BK 8 94	150	100¼	100⅝		7.89
KANSAI ELEC PWR 10 96	350	104¼	104⅝		8.85
LTCB 8 5/8 93	150	101¼	101⅝	+⅛	7.86
NEW ZEALAND 8 93	100	100¼	100⅝		7.86
NIPPON CRED BK 9 3/4 93	150	103¼	103¾	+⅛	8.11
NIPPON TEL & TEL 9 3/8 95	200	103⅝	104	+⅛	8.26
NORDIC INV BANK 9 93	200	102⅜	102⅞		7.62
ONTARIO HYDRO 11 5/8 94	200	107½	108⅜	-⅛	8.30
OSTER KONTROLLBANK 8 1/8 93	200	100⅞	101¼		7.54
PETRO-CANADA 7 1/4 96	200	94⅞	95¼	+⅛	8.57
PRUDENTIAL RLTY SECS 0 99	365.216	49¼	49¾	-1¼	9.80
QUEBEC HYDRO 9 3/4 98	150	102¼	103¼		9.20
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94¼	95¼		9.21
KREDIETCORP 7 93 LFr	1000	96	97		9.13
WORLD BANK 8 96 LFr	1000	96¼	97¼		8.84
AMRO BANK 6 1/4 92 Fl	150	96⅝	97⅜		9.43
RABOBANK 5 3/4 93 Fl	150	94½	95¼		9.36
ALBERTA PROVINCE 10 92 C$	500	100¼	100⅝		9.71
BCE INC 9 5/8 93 C$	300	99	99½		10.21
BELL CANADA 10 5/8 99 C$	150	98	98¼	-⅛	11.00
BRITISH COLUMBIA 9 1/4 93 C$	150	98⅝	99⅛		10.11
EIB 10 1/8 98 C$	130	98⅝	99½	-⅛	10.42
FORD CREDIT CANADA 10 94 C$	100	97⅞	98⅜		10.81
GENERAL ELECT CAP 10 1/4 95 C$	175	100¼	100⅞	-⅛	10.07
MONTREAL TRUSTCO 8 1/2 92 C$	100	98	99	-⅛	10.95
ONTARIO HYDRO 10 7/8 99 C$	500	100	100⅜	-⅛	10.86
QUEBEC PROV 10 1/2 98 C$	200	97⅞	98⅜	-⅛	10.96
ROYAL TRUSTCO 10 1/4 93 C$	100	99	99½		10.83
SWEDEN 9 3/4 95 C$	250	100	100½		9.72
BELGIUM 9 1/8 96 Ecu	1250	99⅜	99¾	-⅛	9.21
CNT 7 3/8 93 Ecu	250	95½	96⅛		9.93
CREDIT LYONNAIS 9 96 Ecu	125	96¼	96¾	-⅛	9.89
DENMARK 7 5/8 96 Ecu	250	91¼	92¼	-⅛	9.98
EEC 7 5/8 94 Ecu	200	96⅛	96⅝		9.29
EIB 10 97 Ecu	1125	104¼	104¾	-⅛	8.99
ITALY 10 3/4 00 Ecu	1000	108¼	108¾	-⅛	9.53
UNITED KINGDOM 9 1/8 01 Ecu	2750	99⅜	99⅞	-⅛	9.15
BMW FINANCE 14 1/2 92 A$	100	102	102½		11.72
COUNCIL EUROPE 13 95 A$	50	101⅞	102⅜	-⅛	12.12
EKSPORTFINANS 12 3/8 95 A$	75	103¼	103¾	-⅛	11.34
FORD CRED AUST 13 93 A$	50	100⅞	101¼	-⅛	12.72
ICI 15 1/2 92 A$	100	103¼	103⅝	-⅛	11.64
MCDONALDS CANADA 13 95 A$	100	108⅝	109⅛	-⅛	12.16
NAT AUSTRALIA BANK 14 3/4 94 A$	150	105⅞	106¼	-⅛	11.95
STATE BK NSW 14 1/4 99 A$	100	108¼	108¾	-⅛	12.58
VOLKSWAGEN INTL 15 94 A$	100	107⅛	107⅝	-⅛	11.86
ABBEY NATL TREAS 13 3/8 95 £	100	105⅝	106		11.37
BARCLAYS JERSEY 9 1/2 93 £	250	97⅝	97⅞		11.06
BRITISH GAS 12 3/4 95 £	300	104⅝	104⅞		11.13
DEUTSCHE BK FIN 11 94 £	225	100¼	100⅝		10.82
EIB 10 97 £	386.5	96	96½		10.96
FORD CREDIT FUNDING 9 5/8 95 £	50	96⅝	96⅞	+⅛	11.91
INTER AMER DEV 11 3/8 95 £	75	101⅝	102⅛		10.84
ITALY 10 1/2 14 £	400	91¼	92¼		11.53
LAND SECS 9 1/2 07 £	200	79⅞	80		12.52
LEEDS PERMANENT 9 1/4 93 £	50	96⅝	96⅞		11.42
[illegible]					

[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94⅛	94⅝		7.20
CANADA 4 3/8 95	80000	97	97¼		7.55
CREDIT FONCIER 5 1/4 94	20000	93¼	94⅛		7.32
DENMARK 7 95	40000	99⅜	99¾		7.14
EIB 4 5/8 94	40000	93⅝	93⅞		7.15
GENERAL ELECTRIC 5 3/4 93	35000	97	97¼	+⅛	7.59
INTER AMER DEV 7 1/4 00	30000	101	101¼		7.09
ITALY 5 3/4 92	150000	99	99¼		7.28
KANSAI ELEC PWR 4 5/8 94	60000	93⅛	93⅝		7.37
NIPPON TEL & TEL 5 7/8 96	50000	95	95¼	-⅛	7.03
NORWAY 5 1/8 95	50000	93⅝	93⅞	-⅛	7.09
SWEDEN 5 5/8 95	20000	94⅝	95		7.16
WORLD BANK 6 3/4 00	50000	98⅜	98⅝		7.00

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem
[illegible]					
GOLD KALGOORLIE 7 1/2 00	65	1.0854	69¼	70¼	+49.30
GOODYEAR TIRE 6 7/8 03	150	90¼	71	72¼	+67.98
GRACE (WR) 6 1/4 02	150	42⅛	91¼	92¼	+12.44
HANSON 9 1/2 06 £	500	2.5875	98⅜	99¼	+18.31
HAWLEY 6 02 PREF	460	1.91	85½	87½	
HILLSDOWN 4 1/2 02 £	150	4.16	109⅛	110⅛	
INTL PAPER 5 3/4 02	200	68⅛	108¼	109⅛	+0.83
LAND SECS 6 3/4 02 £	84	6.72	82¼	83¼	+11.72
MITSUBISHI BK 1 3/4 02	300	2727.1	105⅝	107⅛	-1.49
OGDEN 6 02	85	39.077	70¼	71½	+57.75
PACIFIC DUNLOP 6 3/4 97	75	3.749	107⅝	108⅝	+0.52
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	82¼	83¼	+93.86
THORN EMI 5 3/4 04 £	103	7.45	111½	112¼	+12.25

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month (above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

Lukewarm response for Euro Disney convertible

By Sara Webb

EURO Disney's FFr3.97bn convertible bond issue met a lukewarm response yesterday due to the large size of the issue and the market's current weakness.

Euro Disney has decided to bring forward the opening of a second theme park (Disney MGM Studios-Europe), or phase 2 of the Euro Disney Resort, by a year to spring 1995. This issue will provide some of the FFr12bn required for the second theme park and 3,400 additional hotel rooms.

The bonds were issued at FFr140, representing a premium of 19.7 per cent over the current share price. Syndicate members said the conversion premium was on the high side, and that a premium of 16-17 per cent would have been more reasonable. The bonds will be redeemed at 110 per cent of their principal amount (FFr154) in October 2001.

Existing shareholders will have priority in subscribing, and FFr1.112bn of the bonds has been set aside in anticipation of shareholders taking up the offer, although if demand from existing shareholders is greater, a further FFr500m in bonds may be issued. The Walt Disney Company, the main shareholder, will not take up its priority subscription rights.

Of the remaining amount, FFr2.265bn is being offered internationally, with S.G. Warburg as lead manager of the bank syndicate, and FFr591m of bonds are being offered to the French public, with BNP as lead manager of the bank syndicate. S.G. Warburg said that a broad range of investors had bought bonds, including UK, continental European and Japanese buyers.

INTERNATIONAL BONDS

Asahi Glass tapped both the Eurodollar and D-Mark bond markets yesterday with two warrant issues for general financing purposes. The DM630m issue with a coupon of 4 per cent is lead managed by WestLB while the $370m issue, with a coupon of 5½ per cent is lead managed by Yamaichi. Traders suggested the use of two currencies was due to Japanese restrictions on the amount that can be raised in each separate issue.

Following a decline of nearly 3 per cent in the Tokyo stock market overnight, demand was relatively weak for both issues. WestLB reported steady placement of bonds through a syndicate of 40 banks, but the price of the deal fell to 97.60 bid, just outside full fees of 2¼ per cent.

National Bank of Hungary launched its debut fixed-rate Eurodollar deal in its own name with a $100m issue, lead managed by Bankers Trust. The borrower has done floating-rate issues in its own name, and a dollar deal where the principal was guaranteed by the World Bank, before.

The bond was offered with a 300 basis points yield spread over the five-year Treasury bond, which traders said was a fair assessment of the risk on this paper, and at a similar level to the recent Mexican deals. The main interest in the paper came from European investors, particularly Germans, with an interest in the emerging markets.

● The European Bank for Reconstruction and Development, the eastern Europe development agency, has been assigned a preliminary debt rating of triple-A by Standard & Poor's.

● Exportfinans, the financing and export credit institute of the Norwegian commercial banks, yesterday announced the establishment of a Ecu2bn European medium-term note programme. Exportfinans is the first Norwegian company to set up such a facility.

The programme is to be listed on the London stock exchange and will allow issues with maturities from three months to 30 years in seven currencies including Ecus, dollars, sterling, yen, Australian dollars, Canadian dollars and Swedish kroner.

The programme is to be arranged by Merrill Lynch International. Including Exportfinans, other dealers for the programme will be Credit Suisse First Boston, Goldman Sachs International, Merrill Lynch International and Nomura International. Citibank is payment agent.

See Lex

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Asahi Glass Co.(a)♦	370	5½	100	1996	2¼/1½	Yamaichi Int.
National Bk of Hungary(a)†	100	10½	97.20	1996	1⅞/1¼	Bankers Trust Int.
Hyosung (America) Inc.(b)‡†	50	(b)	100	1996	120bp	KEB Int.
FRENCH FRANCS						
Euro Disney(c)§†	3.97bn	8¾	FFr140	2001	2½/1½	SG Warburg Secs.
D-MARKS						
Asahi Glass(a)♦	630	4	100	1995	2¼/1½	WestLB
Nissanitsu Pharmaceutical(a)♦	100	4	100	1996	2¼/1½	Nikko Bk GmbH
PESETAS						
EIB(d)†	15bn	11.30	101.30	1996	1⅝/1	Banesto
DANISH KRONER						
Fin.for Danish Industry(a)†	300	9⅝	102	1996	1⅞/1¼	Den Danske Bank
SWISS FRANCS						
City of Kobe(a)†	240	6⅝	101¼	2001	-	UBS
Fuji Co.(a)★★♦	100	3¼	100	1996	-	Banca del Gottardo
YEN						
Marubeni Invest.Corp(a)★★†	10bn	8	84¾	1999	2/1¼	Daiwa Europe

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 50bp over 3-month Libor. Put option in years 3 and 4 at par. Non-callable. c) International tranche = FFr2.265bn. Callable at par from 2/10/94 - 1/10/97 subject to 130% share price rule. Bonds can be redeemed at 110%. Conversion premium fixed at 19.7%. d) Matador issue. Non-callable. e) Callable 8/1/95 at 101¾% declining ¼% semi-annually.

Agreement reached on lending of stock

By Richard Waters

A COMPROMISE designed to prevent international stock lending activity deserting London was announced yesterday by the Bank of England-sponsored committee set up to tackle the issue.

UK tax rules have made it expensive for UK intermediaries to bring together lenders and borrowers of international equities – a problem that has become acute as London's international equity market has grown.

The ability to borrow stock (usually from institutional investors) is vital for market-makers who are running short positions yet have settlement commitments to meet.

Changes to the tax regime will allow lending arrangements to involve more than one intermediary, removing an obstacle to the chains of intermediaries which are sometimes needed between lenders and borrowers of international equities. Also, a wider range of institutions are to be authorised to borrow stock.

These changes, however, have been dependent on a compromise being reached between the Inland Revenue and the Stock Borrowing and Lending Committee on the taxation of dividends paid on borrowed stock.

Currently, a 15 per cent withholding tax is levied on dividends paid on shares which are part of borrowing arrangements. When the dividend is paid on to the lender, this deduction is made good by the borrower or the intermediary – raising the cost of stock borrowing.

From 1 July, however, withholding tax will be levied on dividends only at the rate at which the overseas lender is itself liable to tax. In other words, if the lender is tax exempt and so would have expected to receive a dividend tax-free, there will be no deduction of tax in the UK.

The new arrangements will only apply where at least one of the institutions involved in the transaction – whether lender, borrower or intermediary – is one of a new group of "pool" institutions recognised by the Inland Revenue.

Dealers see red as rouble declines

By Leyla Boulton in Moscow

AT the Soviet Union's fledgling official foreign exchange market, housed in what looks like a classroom in central bank headquarters, dealers gather for the sale and purchase of precious hard currency.

But liquidity at the Moscow "currency exchange" is so poor that sessions occur just once a week and are over within an hour. As offers to buy regularly outstrip offers to sell, the rouble has been declining in value almost every week.

On Tuesday, the dollar fetched 42 roubles against 39.6 a week earlier. It would have weakened still further had Gosbank (State Bank) not intervened, selling, it is believed, more than $1m, out of a total daily volume of $7.27m.

Mr Alexander Potemkin, the exchange's director, blamed the decline of the rouble on a decision this month by the Finance Ministry to tax revenues from sales of hard currency. "We are seeing the painful reaction of the market to the introduction of this tax," he said, adding that Gosbank was pressing the Finance Ministry to rescind its decision.

But the main reason for the rouble's perennial weakness is its abysmal purchasing power, in the absence of a market system in which people can freely buy and sell property, commodities, and other assets.

The exchange was supposed to be one of many rouble exchanges to be introduced throughout the Soviet Union this year, as a small step towards rouble convertibility. But so far it is the only one.

The only other legal market where enterprises can buy or sell hard currency are at auctions held by by Vnesheconombank in republican capitals. Otherwise there is a thriving black market which operates everywhere 24 hours a day, seven days a week.

Gosbank, which wants to make the rouble internally convertible from January next year if it can get foreign credits to help stabilise the rate for the Soviet currency, is concentrating on trying to limit demand for hard currency.

This month, it gave itself discretionary powers to reject applications for hard currency to import cars, personal computers, and other consumer goods. It also issued a host of other new rules – with the same aim – to limit demand.

Russian rouble

against the $ (R per $)

For instance, Soviet enterprises which place orders to buy or sell currency through one of the exchange's members, must also spend the currency within two months of obtaining it.

"We've got to do something," argues Mr Potemkin. "You can't have a market when supply and demand are so unbalanced." Mr Potemkin says convertibility would help unlock $10bn that is held by Soviet enterprises.

He says these stockpiles exist because almost anything can be bought for dollars in the Soviet Union while the rouble is constantly weakening and can buy very little.

Dealers' main complaints revolve around the restrictive rules issued by both Gosbank and the Finance Ministry.

Estibank, the state bank of independent-minded Estonia, which holds monthly auctions and does not comply with these rules, is sometimes seen as a potential competitor. But Mr Potemkin dismisses talk of competition.

Mr Viktor Gerashchenko, the Gosbank chairman, rejects as "nonsense" plans by the Russian government that it too will set up its own currency exchange and forex regulations.

But Mr Georgy Matiukhin, his counterpart at the Russian Federation's central bank, says however that Russia will try to co-ordinate its actions with the central government.

Securitisation 'to grow slower than in US'

By Tracy Corrigan

THE tone of yesterday's Financial Times conference on asset-backed securities reflected the moderation of expectations for the development of securitisation in Europe, since the market first opened a few years ago.

Securitisation allows a company to remove assets from its balance sheet, repackage them as bonds and sell them to investors.

Mr Craig Goldberg, who heads Merrill Lynch's asset-backed securities group, predicted that "volume will increase, but at a slower pace than in the US".

He cited legal and regulatory constraints, and illiquid markets in some European countries, as reasons for the less than dynamic growth rate.

He also suggested that the European market for non-mortgage backed securitisation will be dominated by 10 to 20 large consumer lenders and a limited number of investment banks, and that local currency credit card securitisation will not be "a major factor".

FT
CONFERENCE
ASSET-BACKED SECURITIES

At this stage of development, strong motivation among issuers is needed to push the market ahead.

Among financial institutions, this impetus is likely to be triggered by changes in the banking and finance industry as a result of EC regulation in 1992, as well as by greater capital adequacy constraints, according to Mr George Feiger, a principal of McKinsey.

The declining credit quality of many companies, and the poor appetite of investors for weaker corporate credits, are also likely to encourage issuers.

But the costs of securitisation, particularly for first-time issuers, can be prohibitive. With some deals requiring a year's preparation, legal costs for new issuers can range from £250,000 to around £2m.

Issuers also have to pay credit rating agencies to rate their issues.

Mr Roger Taillon of Standard & Poor's said that rating costs add around 4¼ basis points to the cost of a new issue. However, he said there is generally a minimum charge of around £20,000 and a maximum of around £70,000.

In addition, depending on the structure of the deal, issuers may have to bear the cost of credit enhancement, through a letter of credit from a bank or through a guarantee from one of the specialist insurers, which can cost 25 to 50 basis points a year.

● The French Treasury is close to deciding how to lessen constraints on securitisation in France under the 1988 "titrisation" law. Speaking on the growth of the French market, Ms Valerie Pancrazi of Compagnie Bancaire said that recommendations were presented to the Treasury on Tuesday, and changes to the law are expected by the end of the year. However, the removal of the two-year minimum maturity to allow securitisation of credit card receivables – crucial to the market's growth, according to French bankers – may not be granted. Substitution of assets is likely to be allowed, however.

Meanwhile, Caisse des Dépôts et Consignations has structured its second deal backed by loans to French local authorities. Regions de France No 2 has been rated Triple-A by both Moody's and S&P.

● As well as those cited, other speakers at the conference were Mr James Rice of Linklaters & Paines, Mr Theodore Buerger of Financial Security Assurance, Mr Johan Stalhand of Skandinaviska Enskilda Banken and Mr Mark Boléat of the Building Societies Association.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jun 19 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Tue Jun 18 Index No.	Mon Jun 17 Index No.	Fri Jun 14 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (186)	819.37	-1.0	11.10	5.92	11.08	17.53	827.82	831.20	832.18	896.12
2	Building Materials (24)	1036.21	-1.8	10.05	5.98	12.43	28.15	1054.69	1055.72	1058.78	1136.27
3	Contracting, Construction (31)	1248.48	-1.2	9.18	6.47	14.32	31.53	1263.86	1272.77	1275.30	1427.35
4	Electricals (10)	2345.10	-1.1	11.20	5.71	11.37	61.85	2371.30	2395.23	2396.61	2617.77
5	Electronics (25)	1747.04	-0.4	8.91	5.15	14.94	10.00	1753.48	1748.54	1743.36	1800.49
6	Engineering-Aerospace (8)	418.96	-0.7	16.66	5.98	7.22	10.83	421.84	422.55	420.59	468.03
7	Engineering-General (47)	444.46	-1.0	12.42	5.88	9.75	9.64	448.74	451.34	450.96	501.55
8	Metals and Metal Forming (8)	449.35	-0.9	20.12	7.69	6.11	3.76	453.58	461.53	464.62	503.40
9	Motors (13)	324.15	-1.3	12.24	7.49	9.64	9.98	328.29	330.48	332.08	372.20
10	Other Industrial Materials (20)	1502.93	-0.8	9.40	5.35	12.53	33.45	1514.95	1520.80	1523.82	1636.76
21	CONSUMER GROUP (188)	1460.52	-1.2	8.11	3.73	15.16	22.39	1477.61	1483.51	1485.71	1316.67
22	Brewers and Distillers (22)	1815.14	-0.7	8.57	3.64	14.21	27.30	1826.27	1824.30	1829.60	1623.10
25	Food Manufacturing (20)	1163.87	-0.7	9.85	4.25	12.51	22.69	1171.56	1170.69	1168.36	1110.88
26	Food Retailing (16)	2595.30	-0.8	8.39	3.22	15.65	39.42	2616.82	2698.59	2736.75	2462.40
27	Health and Household (21)	3511.89	-1.7	5.46	2.45	20.90	30.21	3574.06	3578.84	3540.96	2578.40
29	Hotels and Leisure (23)	1283.31	-0.6	10.23	5.40	11.61	23.85	1290.48	1287.60	1292.99	1501.61
30	Media (26)	1390.75	-1.2	9.39	5.06	13.48	29.60	1407.70	1422.89	1435.84	0.00
31	Packaging, Paper & Printing (17)	689.96	-0.6	8.06	4.78	15.01	14.33	694.09	697.76	700.18	613.50
34	Stores (33)	891.55	-1.8	8.71	4.13	15.00	15.89	908.29	907.48	915.41	836.82
35	Textiles (10)	555.99	-0.4	9.63	5.62	12.82	11.43	558.26	553.57	555.00	503.67
40	OTHER GROUPS (107)	1222.13	-1.3	10.02	5.24	12.23	16.87	1238.48	1238.15	1238.81	1200.50
41	Business Services (12)	1256.91	-1.2	9.23	5.18	13.24	13.23	1271.94	1240.37	1245.50	0.00
42	Chemicals (21)	1389.60	-0.5	8.15	5.19	13.85	32.35	1396.33	1405.39	1389.50	1304.84
43	Conglomerates (10)	1461.20	-1.3	10.41	7.10	11.58	31.93	1480.43	1466.44	1483.12	1704.13
44	Transport (13)	2193.04	-1.7	10.91	4.81	11.31	38.36	2230.61	2229.25	2218.79	2312.30
45	Electricity (14)	1185.93	-1.3	12.00	5.63	10.49	0.00	1201.73	1207.54	1204.67	0.00
46	Telephone Networks(4)	1454.29	-1.7	10.23	4.19	12.78	5.58	1479.25	1485.19	1497.25	1213.70
47	Water(10)	2259.57	-2.2	17.60	6.66	6.30	39.69	2309.33	2310.33	2323.80	1946.40
48	Miscellaneous (23)	1935.60	-0.9	5.99	4.92	21.43	42.19	1953.51	1948.20	1928.14	1811.32
49	INDUSTRIAL GROUP (481)	1229.20	-1.2	9.31	4.64	13.20	19.68	1243.91	1247.19	1248.60	1188.21
51	Oil & Gas (19)	2356.56	-1.6	11.52	5.81	11.43	50.59	2395.47	2400.46	2377.80	2323.97
59	500 SHARE INDEX (500)	1325.32	-1.2	9.59	4.79	12.94	22.18	1341.95	1345.39	1345.09	1283.70
61	FINANCIAL GROUP (97)	783.42	-0.4	-	6.08	-	20.54	786.83	790.84	792.13	809.80
62	Banks (9)	866.64	-0.5	7.96	6.39	18.22	22.63	871.15	876.09	881.78	853.63
65	Insurance (Life) (7)	1473.35	-1.5	-	5.62	-	41.64	1495.19	1506.54	1496.67	1454.42
66	Insurance (Composite) (6)	677.58	+0.2	-	6.46	-	20.23	676.35	674.05	664.07	710.94
67	Insurance (Brokers) (8)	1119.31	+0.8	7.09	6.01	18.35	29.60	1109.92	1116.06	1130.41	1038.13
68	Merchant Banks (7)	417.77	-0.8	-	5.02	-	10.87	421.17	423.31	426.33	450.65
69	Property (40)	914.93	-0.3	6.86	5.27	20.12	18.80	917.83	929.29	934.58	1090.97
70	Other Financial (20)	273.66	-0.4	9.52	6.84	13.04	7.07	274.74	274.94	279.17	299.11
71	Investment Trusts (70)	1213.73	-0.9	-	3.47	-	18.66	1224.41	1221.62	1222.03	1226.88
99	ALL-SHARE INDEX (667)	1194.88	-1.1	-	4.92	-	21.47	1208.44	1211.78	1211.83	1169.61

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 18	Jun 17	Jun 14	Jun 13	Jun 12	Year ago
FT-SE 100 SHARE INDEX♦	2484.7	-31.3	2504.2	2484.7	2516.0	2524.0	2522.3	2514.6	2520.2	2371.2

FIXED INTEREST

	PRICE INDICES	Wed Jun 19	Day's change %	Tue Jun 18	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (29)	120.58	+0.06	120.51	1.57	5.81
2	5-15 years (27)	128.95	+0.03	128.92	1.88	6.73
3	Over 15 years (9)	134.92	+0.10	135.17	1.59	6.44
4	Irredeemables (6)	148.76	+0.54	147.96	1.75	6.35
5	All stocks (71)	128.49	+0.05	128.46	1.77	6.47
	Index-Linked					
6	Up to 5 years (1)	158.95	....	158.94	0.33	2.72
7	Over 5 years (10)	145.29	-0.13	145.81	0.59	2.22
8	All stocks (11)	146.24	-0.12	146.74	0.58	2.23
9	Debs & Loans (56)	109.03	+0.05	108.97	2.03	5.03

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 19	Tue Jun 18	Year ago (approx.)
	British Government				
1	Low	5 years	9.07	9.03	10.99
2	Coupons	15 years	10.13	10.16	10.71
3	(0%-7¾%)	20 years	10.13	10.16	10.66
4	Medium	5 years	10.47	10.48	11.97
5	Coupons	15 years	10.38	10.39	11.05
6	(8%-10¾%)	20 years	10.30	10.31	11.08
7	High	5 years	10.65	10.65	12.08
8	Coupons	15 years	10.54	10.54	11.31
9	(11%-)	20 years	10.41	10.43	11.08
10	Irredeemables	†	10.30	10.36	10.64
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.32	4.32	5.24
12	Inflation rate 5%	Over 5 yrs.	4.32	4.31	4.15
13	Inflation rate 10%	Up to 5yrs.	3.36	3.35	4.11
14	Inflation rate 10%	Over 5 yrs.	4.12	4.10	3.96
15	Debs &	5 years	11.89	11.92	13.96
16	Loans	15 years	11.68	11.69	12.84
17		25 years	11.50	11.50	12.82

♦Opening index 2503.7; 9 am 2496.1; 10 am 2497.7; 11 am 2493.5; Noon 2495.2; 1 pm 2497.2; 2 pm 2495.6; 2.30 pm 2494.7; 3 pm 2490.3; 4.10 pm 2488.2; (a) 8.31am (b) 4.31pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323. NAME CHANGES: American Business Systems (48) is now Danka Business Systems; F & C Pacific Investment Trust (71) is now Foreign & Colonial Pacific Investment Trust.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	33	20	30
Corporations, Dominion and Foreign Bonds	4	5	11
Industrials	121	455	950
Financial and Properties	51	257	429
Oils	9	37	44
Plantations	0	3	7
Mines	28	37	96
Others	24	72	60
Totals	270	886	1,627

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
100	F.P.	-	106	100	Aberforth Split Lev Inc10p	105		N9.0	-	11.4	-
100	F.P.	-	101	99	Do. Cap	99		-	-	-	-
-	F.P.	-	207	200	Do. Units 10p	205		-	-	-	-
$100	F.P.	-	107	101	Abtrust Preferred Inc. Tst.	105		N12.32	-	15.6	-
$102	F.P.	-	106¼	104	Do. Zero Div. Prf.	106¼		-	-	-	-
♦	F.P.	-	185	185	Brockhampton 10p	185		-	-	-	-
♦	F.P.	-	33	33	Do. A Warrants 10p	33		-	-	-	-
♦	F.P.	-	145	140	Do. Non/Vtg. A 10p	145		-	-	-	-
100	F.F.	-	102	100	City Merchants High Yld	101		87.5	-	9.9	-
100	F.P.	-	109	104	Contra-Cyclical Inc 1p	106		-	-	-	-
25	F.P.	-	27	22½	Do. Capital	26		-	-	-	-
50	F.P.	-	56¼	54¾	Do. Zero Div. Pfd. 50p	55½		-	-	-	-
-	F.P.	-	½	¼	Gaelic Res. Wrnts.	½		-	-	-	-
†	F.P.	-	41	27	Globe Petroleum	29		-	-	-	-
¥230	F.P.	-	245	213	Greencore Irl	217		u06%	5.9	1.9	9.2
365	F.P.	-	336	277	Manchester United 10p	278	-8	-	-	-	-
†	F.P.	-	988	691	Manpower Inc. 1c	906	-2	-	-	-	-
125	F.P.	-	127	101½	Mirror Grp. Newspapers	102	-2	R6.55	1.7	8.6	9.2
100	F.P.	-	113	100	Moorgate Smaller Co's.	110	-1	M4.13	-	5.0	-
35	F.P.	-	39	36	Do. Warrants	37		-	-	-	-
100	P.P.	-	124¼	116	Scott. Hydro-Elect. 50p	116	-6	R9.13	1.9	10.5	6.2
100	P.P.	-	119½	110¼	Scottish Power 50p	110½	-5	R9.2	2.0	11.1	5.9

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price £	+ or -
♦	F.P.	-	107p	106p	Brockhampton N/V 9½pc Rd Prf 1996 £1	106p	
100	F.P.	-	100	97½	EE Finance 8½pc Gtd. Exch. Bds. 2006	99	-¼
100	F.P.	-	103¼	98¾	RMC Capital 8¼ pc Cnv. Bds. 2006	100¼	-¼
$100p	F.P.	-	111p	104p	Slough Ests 8¼p (Net) Cnv. Rd. Prf.	110p	-½
100	F.P.	-	103¼	97¼	Tarmac 9½pc Cnv. Cap. Bds. 2006	97¼	-1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
31	Nil	-	5pm	2½pm	Anglo United 20p	4½pm	
62	Nil	-	19pm	16pm	Blacks Leisure 50p	17pm	
44	Nil	-	5pm	4pm	Fairway (London) 5p	4pm	-1
140	Nil	-	13pm	2½pm	Granada Group	5pm	-2
73	Nil	-	7pm	1½pm	Holmes & Marchant 10p	1½pm	-1¼
100	Nil	-	30pm	25pm	Jarvis Porter 10p	25pm	
20	Nil	-	2½pm	1½pm	Lon. & Assoc. Inv Tst 10p	1½pm	-½
72	Nil	-	5pm	3½pm	McCarthy & Stone 20p	3½pm	-½
33	Nil	-	12½pm	9pm	Merchant Retail 10p	9pm	-½
11	Nil	-	1pm	¼pm	Mowat 10p	¼pm	
35	Nil	-	4pm	2pm	Owen & Robinson 1p	2pm	
113	Nil	-	30pm	16pm	Pendragon	30pm	
170	Nil	-	25pm	11pm	Scholl 5p	11pm	
300	Nil	-	91pm	77pm	Smith (W.H.) A 50p	84pm	+2
150	Nil	-	24pm	14pm	Stanley Inds.	14pm	-2
55	Nil	-	11pm	5pm	Trade Indemnity	5pm	
130	Nil	-	19pm	10pm	Westbury 10p	10pm	-1
25	Nil	-	¼pm	¼pm	Westminster Scaffolding 10p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. R Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. ¶ Placing price. †† Reintroduction. § Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings June 10
● Last Dealings June 21
● Last Declarations Sept. 12
● For settlement Sept. 23

For rate indications see end of London Share Service

Calls: Brent Walker, Expedier, Helene of London, Norex, N. Broken Hill, Oliver Res., Scot. Hydro-Elec., Scot. Power. Puts: Dares Estates.

LONDON TRADED OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied Lyons (*535)	500	63	80	89	2	8½	15
	550	26	47	57	16	25	33
	600	5½	23	34	50	55	59
ASDA (*98)	100	3	7	11	5	10	11
	110	2	4	7	13	17	18
	120	1	2½	5	23	26	27
Brit. Airways (*171)	140	34	38	42	1	2½	4
	160	16	23	27	3	6½	9
	180	4½	11	16	13	16	19
SmKl Beecham A (*783)	750	47	71	90	7	20	26
	500	18	43	61	30	42	49
	850	4½	22	41	70	72	73
Boots (*383)	330	57	68	72	1	3	4½
	360	28	43	50	3	8	13
	390	9	24	31	15	21	24
B.P. (*332)	300	36	42	46	1½	4	6½
	330	12	20	26	7	15	17
	360	3	8½	15½	30	33	35
British Steel (*130)	120	12	12½	13	2	4	6
	130	3	5½	8	7	10	12
	140	1½	2½	4½	16	17½	19
Bass (*961)	950	-	-	87	-	-	46
	977	22	36	-	33	44	-
	1000	-	-	60	-	-	72
C & Wire (*543)	500	52	70	82	3	9	14
	550	16	38	52	18	26	33
	600	4	14	30	60	62	63
Courtaulds (*398)	360	43	57	64	2	6	9½
	390	20	35	44	8	15	19
	420	6	20	29	26	31	34
Com. Union (*510)	460	57	62	75	2	e	11
	500	22	35	50	11	22	25
	550	3½	14	27	43	53	55
Fisons (*500)	460	46	64	74	2½	8	12
	500	18	36	48	14	22	27
	550	4½	16	26	52	54	55
GKN (*355)	330	33	39	49	4	13	15
	360	13	21	31	16	27	30
	390	2½	11	28	39	47	50
Grand Met. (*760)	700	69	85	-	4	13	-
	750	31	53	70	15	33	40
	800	11	31	45	47	60	66
I.C.I. (*1289)	1200	110	132	167	9½	33	42
	1250	72	102	135	21	40	55
	1300	42	75	110	38	72	77
Kingfisher (*494)	[illegible]						
Ladbroke (*266)	[illegible]						
Land Secs (*490)	[illegible]						
M & S (*247)	[illegible]						
Sainsbury (*346)	[illegible]						
Shell Trans (*510)	[illegible]						
Storehouse (*105)	[illegible]						
Trafalgar (*246)	[illegible]						

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Utd. Biscuits (*362)	360	14	25	35	8	16	19
	390	3½	11	19	29	34	33
Unilever (*745)	700	58	82	98	3½	9½	16
	750	20	47	63	20	23	33
Ultramar (*284)	280	15	22	30	6	14	16
	300	3	12	22	20	25	20
Option		**Aug**	**Nov**	**Feb**	**Aug**	**Nov**	**Feb**
Brit. Aero (*594)	550	62	70	87	7	15	28
	600	28	40	60	26	36	40
BAA (*443)	420	32	42	52	8½	14	15
	460	18	21	30	31	33	39
BAT Inds (*727)	700	55	62	85	14	24	28
	750	21	34	55	33	50	51
BTR (*386)	360	39	44	33	4½	10	15
	390	19	25	36	13	25	27
Brit. Telecom (*369)	360	17	28	33	11	14	17
	390	4½	12	18	33	33	35
Cadbury Sch (*359)	330	40	46	57	4	7½	10
	360	10	27	33	14	19	21
Eastern Elec (*179)	160	25	24	-	6	e	-
	180	e	11	17	10	19	21
Guinness (*980)	950	64	87	113	16	30	37
	1000	33	58	83	33	50	56
GEC (*193)	100	15	18	21	4½	5½	7½
	200	3½	7	11	16½	17	19
Hanson (*214)	200	21	27½	30	2	3	7½
	220	8½	15	17	9	11½	16
LASMO (*320)	300	33	42	52	5	10½	13
	330	14	26	33	19	25	27
Lucas Inds (*148)	140	16	20	22	3	8½	10
	160	5½	9	12	14	19	24
P. & O. (*561)	550	37	47	60	16	30	33
	600	14	25	33	47	60	64
Pilkington (*165)	160	16	22	26	8	11	13
	180	7	15	17	20	24	26
Prudential (*232)	220	38	40	-	1	3	-
	240	18	14	21	13	18	21
Racal (*215)	200	24	31	33	4½	7	9
	220	12	28	26	12	16	10
R.T.Z. (*549)	500	65	74	89	4½	10	14
	550	30	42	57	28	28	33
Scot. & New	360	34	43	33	7	12	14
[illegible]							

Option		Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
Dixons (*205)	200	7	17	21	2½	10	13
	220	1½	7	13	16	23	25
Eurotunnel (*453)	420	40	65	80	2	20	28
	460	10	40	60	20	38	47
Glaxo (*1240)	1200	54	104	129	5½	37	45
	1250	18	74	100	22	60	67
Hawker Sidd. (*562)	550	20	50	64	7	25	34
	600	2	27	42	40	50	60
Hillsdown (*223)	220	6½	17	24	2½	8½	12
	240	1	8	14	19	28	28
Lonrho (*239)	220	21	25	-	1	7	-
	240	6	13	21	5	16	18
Midland Bk (*202)	200	5½	16	25	3½	11	14
	220	1	8½	14	20	24	26
National Power (*136)	130	7	10	14	1½	7	8½
	140	1	1½	4½	25	30	33
Reuters (*796)	750	50	84	110	2½	25	33
	800	15	52	82	10	45	54
R. Royce (*154)	140	13	20	23	¼	4	5½
	160	1½	8	22	7½	12	14½
Sears (*76)	70	7½	10½	22	1	2¼	4
	80	1	4½	6	3	6½	8
THF (*266)	260	e	20	27	1½	7½	22
	280	1	10½	16	15	19	22
Thorn EMI (*739)	700	43	58	61	1½	20	28
	750	8	23	36	17	47	55
TSB (*144)	140	5½	9½	13	1	7	9
	160	½	3	6	17	21	21½
Vaal Reefs (*$67)	60	e	14	14	1	5	6½
	70	1½	6½	10	3	9½	12½
Wellcome (*649)	600	73	95	110	1	11	18
	650	25	60	77	e	25	36
Option		**Sep**	**Dec**		**Sep**	**Dec**	
Scottish Power (*111)	110	9½	14	-	3	7	-
	120	3	8½	-	11	12	-

EURO FT-SE INDEX (*2486)	2325	2375	2425	2475	2525	2575	2625	2675
CALLS								
Jun	158	110	62	25	6	2	1	¼
Jul	179	135	92	58	32	17	9	3½
Aug	198	-	118	-	55	-	22	-
Sep	219	-	140	-	78	-	35	-
Dec	268	-	198	-	140	-	88	-
Mar	320	-	245	-	190	-	140	-
PUTS	[illegible]							

FT-SE INDEX (*2486) [illegible]

June 19 Total Contracts [illegible]

UK COMPANY NEWS

Low exposure to industry's worst hit areas, but growth may slow

Shanks & McEwan jumps to £24m

By Clare Pearson

SHANKS & MCEWAN, which in January consolidated its leading position in the waste management business by buying Rechem, a hazardous waste disposal concern, raised pre-tax profits from £17.44m to £23.93m in the 12 months to March 31.

Mr Peter Runciman, chairman, yesterday highlighted the "recession resistance" of the group, which he said with the addition of Rechem now spanned the full range of waste activities apart from the nuclear field.

With earnings per share of 65.8p (54.5p) the company met its target of at least 20 per cent annual growth.

The final dividend of 17.2p (14.3p) makes a 20 per cent increase to 27.4p (22.8p) for the year.

However, Mr Runciman warned that this year "some reduction" in the group's growth rate was to be expected. It was not until the closing months of last year that the full effects of the recession had become evident.

However, Shanks had a low exposure to the hardest hit parts of the waste disposal business, such as construction waste. Overall, its long-term municipal contracts and consistent business with third party users of its sites, gave it a "strong base" in difficult times.

Trevor Humphries

Peter Runciman: highlighted group's recession resistance

Rechem, which was acquired for £170m in shares, chipped in some £3.2m pre-tax profits from its inclusion.

Shanks said that, "at their request", Mr Richard Biffa and Mr Malcolm Lee, chairman and managing director respectively of Rechem, had decided to give up executive responsibilities but would remain on the Shanks board.

Further ahead, Mr Runciman said he expected the performance of Shanks to be underpinned by the continuing effects of recent UK environmental protection legislation, which among other provisions makes producers of waste legally responsible for its safe disposal.

Group turnover in the 12 months was £117.98m (£111.54m).

Helped by completions, the civil engineering side chipped in £2.6m to the pre-tax profits line.

● **COMMENT**

Shanks is recommending a 5-for-1 split of its shares, worth £14 each at the yesterday's close – a boost to marketability that alone might be construed as an incentive to buy. There is also a feeling that when Mr Runciman talks about momentum slackening this year, he probably does not mean by very much and it may not happen at all. Even after a higher tax charge the more optimistic market forecasts are for another 20 per cent increase in earnings per share on pre-tax profits of £42m. That puts the shares on a prospective p/e of nearly 18: hardly cheap, though they never are. However, though Rechem has made an encouraging early contribution, there must be uncertainty about how a continuing bleak economic background will affect more traditional activities.

Gardiner seeks £11m as profits rise 50%

By Richard Gourlay

GARDINER Group, the security products distributor yesterday announced its third rights issue in three years, calling for £10.6m from shareholders to fund two acquisitions.

The company is paying up to £8m in instalments for Multi-Video Distributors, a UK closed-circuit TV equipment distributor, and £1.8m for AW Alarm System, a Danish distributor of intruder detection equipment.

The 1-for-4 rights issue at 52p is underwritten by Charterhouse Bank. The shares closed down 4¼p at 59½p.

Mr Yashar Turgut, Gardiner's chief executive, said the fragmented closed-circuit TV sector had the fastest growth potential in a growing security market.

Gardiner also reported half-year pre-tax profits to April 30 up 50 per cent at £3.5m on sales up 46 per cent at £28.6m. These were helped for the first time by the inclusion of Alarm Parts which it bought from Scantronic last August.

Earnings per share rose 11.3 per cent to 2.66p and the company proposed a 25 per cent increase in the interim dividend to 0.47p. This compared with 0.375p last time out of a total of 1.125p.

Gearing in the half year fell from 78 per cent to 64 per cent on debt of about £9m, although when loan notes are excluded from equity the gearing is closer to 100 per cent.

Mr Turgut said that he was comfortable with gearing at those levels because the group was strongly cash generative.

Interest cover had increased over the period to 6.1 times and the group had reduced debt, he said.

● **COMMENT**

If Gardiner calls for new cash again next year the company might begin to tax shareholders' patience. Coming so soon after the acquisition of Alarm Parts, even yesterday's call rang some alarm bells.

But the two acquisitions fit perfectly with Gardiner's well-rehearsed strategy of building in Europe and growing through acquisition when opportunities arise. Multi-Video's position in the growing closed-circuit TV market presents exactly such a case.

Deferred payment terms for the Multi-Video acquisition should help reduce year-end gearing below 50 per cent, as the company computes it, but the company faces high installation costs for computer systems in Europe and is not ruling out other acquisitions.

Analysts forecast that after the rights issue and acquisitions full-year pre-tax profits will be £8.5m, giving 6.1p of earnings, and a prospective multiple of 9.8 times.

TT lifts Magnetic Materials bid to £10m

By Jane Fuller

TT GROUP, the industrial holding company, has increased its bid for USM-quoted Magnetic Materials Group to £9.9m and introduced a share alternative.

The new cash offer of 54p per share, up 4p, has been declared final. Using MMG's pre-tax profit forecast of £625,000 (£1.51m) for the year to June 30, TT had calculated earnings per share of 1.8p, giving a p/e of 30 to its latest offer, although the multiple is less than 10 times times last year's earnings.

Mr Nicholas Shipp, a TT director, said: "MMG's price was 114p when it went public [in 1985] and its pre-tax profit was £2.2m. It has never reached that level since."

He claimed that MMG's net asset value per share at the end of this month would be less than the 62p reported a year ago and perhaps down to the level of the offer. Dividend payments and bid defence costs were draining factors.

Mr John Emanuel, MMG chief executive, retorted: "The net asset value is substantially above their offer. They have now put in three absurdly low offers."

MMG was about to send shareholders details of "important new measures", including the sale of surplus property following factory moves. The value involved would be "significantly greater" than the £625,000 forecast profit.

Shareholdings totalling 44 per cent were ranged against the bid, he said. About 40 per cent was in the hands of the Michaelis family and another 4 per cent with directors.

Mr Shipp said TT had increased its stake to 27.2 per cent. The latest tranche was acquired this week from an institution on the basis of four TT shares for every 10 MMG. At yesterday's TT closing price of 135p, the value was the same as the 54p cash offer. Acceptances amounted to a further 0.2 per cent of the equity. MMG's closed at 56p after hitting 63p before the TT announcement.

The next closing date will be July 5, but the offer period can run for 10 days after that.

NEWS DIGEST

Bimec Inds doubles to £5.36m

BIMEC INDUSTRIES, the pollution control and treatment group, almost doubled pre-tax profits, from £2.77m to £5.36m in the year to March 31.

The 93 per cent increase reflects a leap in turnover to £74.52m (£32.18m) following four acquisitions during the period.

Earnings per share improved to 5.5p (3.3p) and the proposed final dividend is 1p (0.67p) for an increased 1.5p (1p) total.

Mr Sam Smith, chairman, said the group would continue to extend its activities in water and waste, aerospace technology and environmental engineering. That would be done initially by developing the UK operations to provide a strong base from which to expand into mainland Europe. Opportunities outside Europe would also be addressed on a selective basis. At the year-end cash in the bank stood at £2.5m (£1.2m).

Some £5.5m had been invested during the year in addition to £700,000 in research and development. The current year had started well with an order book of £55m (£30m).

Sandell slides to losses of £108,000

Reflecting the continued effect of the general economic climate on the company, Sandell Group slid from profits of £66,000 to losses of £108,000 in the six months to March 31. Turnover fell by £244,000 to £2.07m.

At the operating level, losses at this USM-quoted office partitioning supplier were £80,000 (profit £83,000) and interest took £28,000 (£17,000). After no tax charge (£20,000), losses per share were 4.3p (earnings 1.9p) and the interim dividend is passed.

Hicking Pentecost £2m acquisition

Hicking Pentecost yesterday announced a turnround for the year to March 31 from losses of £1.88m to taxable profits of £782,000 and, as part of its diversification away from knitting and dyeing, it is to buy Nicholson Plastics.

The acquisition of the glass fibre water tanks manufacturer is for a consideration up to £2.1m, comprising £1.75m cash on completion and the rest in two deferred payments. In 1990 Nicholson raised taxable profits from £486,000 to £839,000.

A related placing and 5-for-7 open offer to raise £4.49m net will finance the acquisition and also be used to cut gearing and aid growth. The issue of 6.79m ordinary shares at 72p each has been underwritten by EFT Group.

In the year to March 31, Hicking Pentecost, increased sales by 11 per cent to £21.08m and operating profit to a record £1.76m (£144,000). The final dividend is increased to 1.65p for a total of 2.25p (2p).

Arthur Shaw falls 68% to £267,000

A continuing squeeze on profit margins, together with the reduced sales volume and reorganisation costs resulted in sharply lower profits at Arthur Shaw in the year to March 31. The taxable result at the USM-quoted company fell 68 per cent from £839,000 to £267,000.

Sales rose 5 per cent from £13m to £13.65m but operating profit declined to £375,000 (£747,000) and net interest receivable fell to £26,000 (£168,000). After tax of £106,000 (£285,000) earnings per share came through at 1.96p (7.32p).

Its main activities now comprise the supply of engineering products and services and the manufacture of window and patio door hardware.

A final dividend of 2.8p is recommended, for an unchanged total of 4.1p.

Craton Lodge loss deepens to £196,000

Increased taxable losses of £196,000 were announced by Craton Lodge & Knight Group, the USM-quoted public relations consultant, for the six months to March 31. The comparable loss was £97,000.

The directors expected an improved second half. In the core areas of the business they intended to build both by organic growth and by acquisition.

Turnover jumped to £6.99m (£1.71m). The loss per share amounted to 0.05p (1.66p).

Security Archives advances to £1.4m

Security Archives continued to progress through the second six months and for the full year to end-March increased its profits from £1.11m to £1.41m at the pre-tax level.

The 27 per cent improvement was struck from a turnover 29 per cent higher at £6.76m. The USM-quoted company provides secure storage facilities.

Earnings emerged at 15.7p (13.3p) and a proposed final dividend of 5p makes an 8p (6.5p) total.

Northamber has 'no idea' over shares dip

In an early morning statement, Mr David Phillips, chairman of Northamber, the computer group, said yesterday that he had "no idea" why overnight the company's share price had fallen 11p to 45p, though he added: "We know there'e a seller in the market."

He acknowledged that market conditions were tough, as they were everywhere, "but we are trading profitably at this time". Northamber had £1m net cash and zero gearing, Mr Phillips said.

The shares closed down 5p at 51p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bimec Industries ......fin	1†	Aug 21	0.67	1.5	1
Braithwaite ....fin	3	Oct 1	5.5	4.4	6.9
E Midlands Elect ......fin	10.55	-	-	10.55	-
Gardiner Group ....int	0.47	Oct 11	0.375	-	1.125
Hicking Pen'cost.......fin	1.65	Oct 2	1.5	2.25	2
Sandell Group § ....int	nil	-	1.7	-	1.7
Sec'ty Archives§.......fin	5	-	4	8	6.5
Shanks & McEwan ..fin	17.2†	July 30	14.3	27.4	22.8
Shaw (Arthur) § ....fin	2.8†	Aug 28	2.8	4.1	4.1

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Chemring, Electra Inv Tst, Lookers, Moorfield Est, River Plate & Gen Inv, Stakis, TSB Bank (Channel Islands).

Finals- Davy Corp, Dawson Intl, GEI Intl, Penny & Giles Intl, Portsmouth Water, Premier Cons Oilfields, Severn Trent.

FUTURE DATES

Interims-

SWD Secs	July 11
Clyde Blowers	June 27
Cowie (T)	July 31
EFG	June 25
General Cons Inv Tit	July 17
Greenwich Res	June 25
Hafina	Oct. 5
Lonrho	June 27
Widney	June 28

Finals-

American Business Systems	June 25
Associated British Eng	July 1
British Build & Eng App	July 12
Bulgin (A.F.)	June 25
Bulmer (H.P.)	July 16
Channel Tunnel Inv	June 21
DAB Inv	June 24
Durham (D.G.)	June 24
ERF	June 26
Elenbrook Props	June 24
General Elec Co	July 2
I & S Optimum Inc Tst	June 27
Kingfisher	Sep. 17
London Elec	June 27
Marling Inds	July 1
Moorgate Inv Tst	July 17
NSM	June 25
National Power	June 25
Northumbrian Fine Foods	June 25
SPRAIT	July 3
Scottish Power	June 27

PUBLIC WORKS LOAN BOARD RATES

Effective

Quota loans*

Years	by EIP†	At††	at maturity§
1			11
Over 1 up to 2	11	11	10⅞
Over 2 up to 3	11	10⅞	11
Over 3 up to 4	10⅞	10⅞	11
Over 4 up to 5	11	11	11⅛
Over 5 up to 6	11	11	11¼
Over 6 up to 7	11	11	11⅜
Over 7 up to 8	11	11⅛	11½
Over 8 up to 9	11⅛	11¼	11½
Over 9 up to 10	11¼	11⅜	11⅝
Over 10 up to 15	11⅜	11⅝	11½
Over 15 up to 25	11⅝	11½	11⅜
Over 25	11⅜	11⅜	11⅜

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMPANY NOTICES

CLUBS

PERSONAL

ICI chief warns MPs of far-reaching effects of a takeover by Hanson

By David Owen and Ralph Atkins

SIR DENYS Henderson yesterday used the occasion of his first public pronouncement on a possible bostile bid for Imperial Chemicel Industries to warn that Britain's largest manufacturer would not be tbe only party to suffer in sucb an event.

A bostile bid would be "deeply damaging to both parties and to UK plc," the ICI chairman claimed. "I believe that ICI management and employees will strongly resist it," he added, addressing an all-party Parliameotary group for the chemical industry.

Sir Denys's remarks come about a month into a phoney war between ICI and Hanson which has developed in the wake of the conglomerate's purchase of 2.8 per cent of the chemical group's shares.

Campaigning et Westminster against a bid will gain momentum today when Mr Nicholas Winterton, Tory MP for Macclesfield, tables an all-partymotion praising ICI's achievements, particularly in research and technology.

Several senior Conservative as well as Labour MPs are thongbt to bave signed the "early day" motion, which does not mention Hanson and has been carefully-worded to maximise support.

Emphasising ICI's experience, built up over 65 years in the sector, Sir Denys asserted thet the company "is not a plaything for those unfamiliar with the chemical industry."

He also had strong words for UK regulators. "There is much talk about the need for level playing fields internationally, but I must say that the British field at present seems exceedingly bumpy," he said.

During questions after his speech, Sir Denys was reported as saying he was "quietly confident" about the eventual outcome of the episode.

Meanwhile, trade union representatives from ICI plants in north-west England yesterday lobbied MPs at Westminster, in an ettempt to gear up the pro-ICI campaign.

Yesterday's events will increase the pressure on the government to make clear its position on e possible bid.

Mr Gordon Brown, Labour's trade and industry spokesman, again called on the government to end "weeks of prevarication" and express the Conservative party's opposition to a hostile takeover of ICI.

Trevor Humphries

Gordon Brown (left) joins GMB officials Tony Salad, Mick Titherington and John Edmonds at Westminster yesterday to lobby MPs against a possible bid by Hanson

SmithKline Beecham patents new formula for ulcer treatment

By Daniel Green

SMITHKLINE BEECHAM has published e patent in France that raises the possibility that it might revive its flagging fortunes in the $6bn-a-year ulcer treatment market.

The patent covers a formulation of the drug Tagamet that releases the drug slowly in the body. This is one of the areas in which Tagamet has been shown to be less effective than Zantac, the Glaxo-made market leader that rakes in almost $3bn a year.

Sales of Tagamet have been falling since the early 1980s. Revenues are less than $1bn and its second place to Zantac is likely to be lost next year to Losec, from Swedish company Astra.

SmithKline said yesterday that the new formulation was in its early stages of development and was only one of several strategies being pursued to protect Tagamet revenues. Industry watchers said that most of the clinical trials – through which new drugs must be put – could be avoided by the new formulation, since the edvance is in the method of delivery rather than the active ingredient.

Under ideal circumstances, the slow-release Tagamet would be shown in clinical trials to be more effective than its competitors. This is particularly important in the huge US market because physicians there risk legal action if they do not prescribe the best treatment.

SmithKline has been working on the development for more than five years and City analysts see the patent as evidence that a breakthrough has been made.

Time is of the essence for the company because patents on the original Tagamet expire by 1994. Typically, sales of a prescription drug fall by half in the year after patents expire as cheaper generic products take market share.

The company also plans to sell various over-the-counter (non-prescription) versions of the drug, but while sales cuuld be high, the price would be much lower than for the prescription formulations.

Chairman goes in Wedgwood shake-up

By Kieran Cooke in Dublin

A BOARDROOM shake-up has taken place at Weterford Wedgwood, the troubled Irish manufacturer of crystal and china prodncts.

Mr Howard Kilroy is retiring as chairman, to he replaced by Mr Donald Brennan, head of merchant banking at Morgan Stanley, the US investment bank.

Mr Kilroy is chief operating director of the Smurfit paper and peckaging gronp and governor designate of the Bank of Ireland, the country's second biggest banking institution.

Early last year e consortium led by Morgan Stanley and Mr Tony O'Reilly, head of the Heinz food conglomerate, paid I£80m (£73.4m) for a 30 per cent stake in Waterford Wedgwood.

Mr O'Reilly now becomes depnty group chairman and chairman of the Wedgwood subsidiary.

The board changes were announced at e fiery AGM at whicb directors were again criticised for not giving shareholders enongh information abont company affairs.

Some shareholders also expressed concern abont what were considered to be excessive amounts of remuneration given to some directors at e time of continning gronp financial losses. Waterford Wedgwood's losses increased from I£20.6m to I£21.4m in 1990.

The gronp said there had been a significant improvement in performance in recent months, meant it was "well positioned to benefit from any recovery in the economic environment."

Bnt the gronp's problems continne. This week more than 300 glass blowers at the crystal plant went have gone on strike. They say e recent agreement between manegement and unions bas cansed e big cut in their wages.

Brent Walker's banks agree to Trocadero deal

By Maggie Urry

BANKS to Brent Walker, the leisure group currently in talks about e financial restructuring, have given consent to the Trocadero deal agreed with Power Corporation, the Dublin-based property group, in April.

It was also announced that Credit Suisse London Nominees had bought a 3.57 per cent stake in the company, worth nearly £650,000 at yesterday's unchanged price of 35p. Credit Suisse is one of the banks which has lent to Brent.

Under the deal with Power, Brent will swap its half share in the Trocadero, a leisure and ehopping complex in London's Piccadilly, and in the Blackpool Tower Shopping Centre, for Power's half share in the 1.3 acre island site adjoining the Trocadero. The deal is now only subject to completion of legal documentation.

The deal will have little overall effect on Brent's balance sheet, crystallising e loss on the properties' book value but rednciug overall debt.

Brent stressed yesterday that the agreement of the 47 banks to the deal did not imply consent to the restructuring package being negotiated between it and the banks.

The group is hoping to meet the dozen banks which lent to finance tbe purchase of William Hill, the bookmaking chain, either tomorrow or Monday to put the restructuring proposals to them.

Braithwaite falls below profit warning to £1.3m

By Andrew Bolger

BRAITHWAITE, the industrial services group, reported results for the year to March 31 well below those forecast in a February profits warning which accompanied the sudden departure of its chief executive. Then it was said that tha 1990-91 profits would exceed the £2.3m of 1989-90.

Pre-tax profits fell by just under £1m to £1.32m on turnover down from £65.52m to £62.62m. They were reduced by an exceptional charge of £940,000 (£1.76m) to cover restructuring and redundancy costs, mainly at Andrew Sykes, which hires and sells air conditioning and heating equipment.

Earnings per share fell to 3.2p (5.6p). Because of difficult trading conditions throughout the year and the uncertain economic outlook, the final dividend was cut to 3p (5.5p), giving a still uncovered total of 4.4p (6.9p).

Mr Stuart Ross, finance director, said that gearing at the year-end was 110 per cent, which the company aimed to reduce to about 70 per cent in the current year.

Mr Ken Lindon-Travers, chairman, said: "Although the overall result was disappointing, there were many positive aspects. The major restructuring and associated capital investment programme is now completed."

Institutions join call for change at Holmes

By Andrew Bolger

Two institutional shareholders, Scottish Amicable and AGF, are backing moves to change the management at Holmes Protection, the US-based security and alarm group.

They are supporting an investment group which now claims to speak for more than 30 per cent of the London-quoted company's ehares wants to install as chairman Sir Ian MacGregor, former chairman of British Steel and the National Coal Board.

The investor group recently bought a 14.7 per cent interest previously held by Tyco Investments (formerly Wormald International), the Australian fire protection company, and is still picking up shares in the market. Mr Eric Kohn, its head and a former

Sir Ian MacGregor: met Holmes chief last week

director of Holmes, would be installed as chief operating officer under the group's proposals.

Mr Thomas Mayer, current chairman of Holmes, said yesterday that he had met Sir Ian last week, but no information about the composition of the investors' group, its financial resources or intentions had been forthcoming.

He had requested that the group should make clear its intentions by the end of this week, but Sir Ian had refused to accept this time limit.

Holmes, which has about $61m (£36m) of debt and net assets of $17.5m, has said that it has received an offer of a "substantial" equity injection from a New York venture capital company.

Mr Kohn said last night that the investment group's proposals involved negotiating the rescheduling of the group's debt payments.

Research findings on Aids drug lifts Wellcome shares

POSITIVE research findings on Retrovir, Wellcome's Aids treatment, revealed at an Aids conference in Florence, Italy, surprised drug industry ohservers yesterday, writes Daniel Green.

They had expected to hear about progress on rival treatments instead so Wellcome shares jumped 21p to 665p against the trend of the rest of the stock market.

Conference delegates heard that:

- Two of Retrovir's most promising potential rivals, ddI and ddC, were more toxic than previously thought;
- Retrovir could be used regularly in the early stages of therapy;
- Children infected with the Aids virus tolerate Retrovir at least as well as adults;
- Although the drug costs some $2,300-a-year per patient, it rednces the length and thns the cost of hospital stays.

The conference continnes nntil Friday.

See page 44

Japanese pay £4.3m for Flexello Castors

By Michiyo Nakamoto

FLEXELLO CASTORS & Wheels, e manufacturer and distributor of castors, wheels and assemblies, is being acquired by Nansin, a private Japanese company, in e recommended cash offer which values the UK group et £4.3m.

The acquisition follows a sharp rise in Flexello's shares in late April which prompted the group to state that discussions had been taking place with a third party that may or may not lead to an offer.

Nansin, which makes castors and industrial rubber products and whicb is offering Flexello shareholders 130p per share, has already received irrevocable undertakings to acquire 54.9 per cent of Flexello.

That represents a 25 per cent premium to the 104p share price standing on Monday. Yesterday, tha shares rose 21p to 125p.

News of the acquisition comes at e time when Flexello is experiencing difficult trading conditions. In the half year to March 31 1991 the group incurred e loss before tax of £880,804 compared with e previous loss of £377,895 and a full year loss to September 1990 of £496,940. Half year turnover slumped to £6.3m (£7.39m).

The level of orders received was "substantially lower" than for the same period last year and downward pressure continued on margins.

Loss per share emerged at 18.6p (7.27p) and the interim dividend is being passed – 1.67p was paid previously.

Mr Richard Menko, chairman, welcomed the acquisition as "e positive step forward" for the group at e time when it faced higher investment needs in a difficult economic climate.

The purchase adds to the growing list of UK manufacturers that are being acquired by more well-funded Japanese companies.

It also pointed to continuing interest among the Japanese, including smaller manufacturers, in buying operations in the UK despite the recent slowdown in their own domestic economy.

Nansin, based in Tokyo, has been looking to expand its overseas presence, particularly in Asia and Europe.

Ladbroke gains betting rights in Minnesota

LADBROKE GROUP has won exclusive rights to open four off-track betting operations in the US state of Minnesota, similar to those it already operates in Pennsylvania, writes David Churchill.

New Minnesota state legislation will enable Ladbroke to open tele-betting theatres – basically large-scale betting shops in which races are screened live.

Ladbroke has exclusive rights because it has e 50 per cent stake, along with local partners, in the state's only race-track. Under the legislation, off-track betting is only epproved for race-track owners.

Mr Peter George, Ladbroke's joint managing director, described the move yesterday as "a significant breakthrough". He said: "Ladbroke will have exclusive control of all betting and racing in the state of Minnesota."

Ladbroke is already active in the betting market in four other US states: California, Pennsylvania, Michigan and Texas.

EDS argues SD-Scicon hard to turn round

By Alan Cane

ELECTRONIC DATA Systems (EDS), the US computing services company locked in a takeover battle for SD-Scicon, yesterday published its offer document. in it, it makes clear that it believes that turning round the loss-making UK software house will be much harder than either SD-Scicon, or rival bidder Cray Electronics, anticipates.

It argues that its bid for the company, worth 45p per ordinary share or about £121m in total, is fair valne and that shareholders should not expect better returns either from SD-Scicon on its own or SD-Scicon under Cray's control.

it says: "Taking into eccount tbe managerial and financial commitments that EDS believes will be required to turn around SD-Scicon's performance, the offers fairly reflect the current value of SD-Scicon."

Mr Jürgen Berg, head of EDS' European operations, said yesterday that the company had made its assessment of SD-Scicon's value from publicly available sources: it had no confidential information on the state of the company's finances.

The offer document emphasises the importance of size and global competitiveness as tbe computing services business develops into the 1990s. It predicts that trading conditions will continue to be difficult and that international customers are posing challenges that can only be met by the largest companies.

SD-Scicon, which lost £20m last year through provisions on badly managed fixed price contracts, was pnt into play e month ago by Cray through an offer valuing the company et £111m. SD-Scicon has rejected both bids and made a first-half profits forecast of not less than £4.5m.

EDS, which has about $1bn in cash and marketable securities, takes issue with SD-Scicon's principal claim that a fair price would be more than 100 per cent of revenues, arguing that Systems Designers (SD) paid only 47 per cent of turnover for Scicon in 1988.

SD-Scicon said last night that the price paid for Scicon took into account years of substantial losses together with loss of earnings from Scicon'e former parent, British Petroleum.

Mr Berg said yesterday he would be surprised if the takeover battle was complicated by a further bidder.

Principal signs hotels deal

PRINCIPAL Hotels Group has signed a 10-year contract for the management of six hotels in the UK.

The hotels were recently bonght by Premium Hotels from the receivers of Eclipse-care.

Premium is a new company spacifically formed for the acquisition. It paid £30m for the hotels, £2m uf which was lent by Principal.

The contract inclndes an agreement to carry out refurbishment work which will cost £6m.

The six hotels will bring the number marketed under the Principal name to 24 with a total of 2,500 rooms.

Other than a guarantee of a further £2m Principal is not responsible for any debts of Premium. It has an option to buy any or all of the hotels.

Grampian Holdings wins just 0.15% of Macarthy

By Jane Fuller

GRAMPIAN Holdings, the Glasgow-based mini-conglomerate, had received acceptances amounting to 0.15 per cent of the ordinary share capital of Macarthy, the pharmaceuticals maker and retailer, by yesterday's first closing date in the £57m all-paper bid.

At last night's Grampian closing price of 181p, the offer of one ordinary share and eight convertibles for every five valued Macartby's shares at 207.4p each, compared with last night's close of 231p. The price has risen from 168p just before the offer was launched.

Grampian has lambasted Macarthy'e record, and promised better management systems and greater investment in retailing.

Mr Ian Parsons, chief executive of Macarthy since August 1988, says a revamped management team has tackled problems, including selling a low-margin wbolesaling business, and will itself invest in the remaining core activities.

COMMODITIES AND AGRICULTURE

Blocked Australian mining group seeks compensation

By Kevin Brown in Sydney

NEWCREST MINING, manager of the blocked Coronation Hill gold, platinum and palladium project in Australia'e Northern Territory, yesterday demanded compensation for the "expropriation" of its shareholders' assets.

The project was blocked by the federal Labor cabinet on Tuesday after Mr Bob Hawke, the Prime Minister, argued that mining would infringe the religious beliefs of the Jawoyn aboriginal tribe.

Most ministers are believed to have favoured a compromise proposal to allow mining subject to the agreement of the Jawoyn. However, the cabinet supported the Prime Minister to avoid weakening his authority. Mr Hawke had made the issue a test of his leadership after narrowly defeating a challenge earlier this month by Mr Paul Keating, the former Treasurer.

Aboriginal activists and conservationists welcomed the cabinet's decision, which will lead to the incorporation of the Coronation Hill in the Kakadu national park, where resource development is banned.

Mr John Quinn, chief executive of Nawcrest, said Mr Hawke's action would cost Australia about A$500m (US$382m) - the estimated value of the minerals identified at Coronation Hill.

Mr Quinn said that the expropriation of the company's property rights increased the sovereign risk - the danger of arbitrary interference in projects by governments - for investors in Australia. He said the Prime Minister and other ministers had given assurances that mining would be allowed, while Newcrest had invested in good faith.

"We are entitled to full and appropriate compensation for the expropriation of our mining rights," Mr Quinn said.

About A$15m has been invested in the mine by a joint venture managed by Newcrest, a subsidiary of BHP of Australia and Newmont Mining of the US. The other partners are Plutonic Resources, an associate of Malaysia Mining Corporation; and Norgold, a subsidiary of North Broken Hill Peko of Australia.

The cabinet decision was widely criticised by business leaders, including Mr Will Bailey, chief executiva of ANZ, one of Australia's biggest banks, who said the country would have to learn to live with "an element of sovereign risk which we did not have before." The Australian Mining Industry Council said projects worth between A$750m and A$900m have been delayed by environmental or aboriginal opposition. It warned that investment would be diverted overseas as a result of the Coronation Hill decision.

WM says concessions vital

By Kenneth Gooding, Mining Correspondent

WESTERN MINING, the western world'e third-largest nickel producer, is threatening to ahandon an A$300m (US$229m) expansion programme for its nickel business unless it can win a package of concessions from the government and unions in Western Australia. Talks abont the package reach a critical stage this week.

Mr Hugh Morgan, managing director, in London yesterday for meetings with institutional investors, said that failure to reach agreement on the package would result in WM's nickel output being cut and its downstream smelting and refining operations gradually being shifted outside Australia.

He said the strategic plan for WM's nickel operations had been finalised in November.

If agreement was reached, WM would in two years increase its annual nickel output from about 53,000 tonnes to about 65,000 tonnes. Its smelter at Kalgoorlie would be refurbished and the future of the refinery at Kwinana assured.

Without agreement, output from WM's mines at Kambalda would drop from 35,000 to "eomething under 30,000 tonnes", entailing widespread redundancies.

Fonr issues were being addressed. These were, firstly, that WM wanted a switch to seven-day working at its Kambalda mines. That would require Western Australia to change an outdated law. The government had indicated that it would not make the change unless the unions agreed first.

Secondly, WM wanted tha state Energy Commission to reduce its charges to the refinery. Mr Morgan said that WM paid 50 per cent more for energy than its competitors.

Thirdly, rail freight charges in Western Australia were exorbitantly high, said Mr Morgan. It cost 50 per cent more to transfer material by rail between the group's mines at Leinster and Kambalda than by road, yet WM was forced to use rail.

Lastly, the state government wanted to impose exceptional environmental standards at the Kalgoorlie smelter.

Employees at the Kambalda mines are voting this week on four options offered hy WM. One offers expansion in return for seven-day working, the others offer lower production, less pay and some lay-offs.

WM was not looking for subsidies on its energy supplies, Mr Morgan insisted.

US offer to sell Kuwait wheat criticised

By Kevin Brown in Sydney

AUSTRALIA yasterday expressed "strong concern" about a US offer to sell subsidised wheat to Kuwait, which Australia regards as part of its traditional Middle Eastern export market.

The US offer was inconsistent with an undertaking by President Bush not to target Australian markets, said a spokesman for Dr Neal Blewett, trade negotiations minister. The Australian complaint is the latest instance in a long running campaign against subsidised wheat exports by the US and the European Community, which Australia says have depressed world prices.

President Bush wrote in March to Mr Bob Hawke, Australian prime minister, promising that "all possible care" would be taken to avoid disrupting "traditional" Gulf markets for Australia's unsubsidised wheat.

Dr Blewatt's office said embassy staff in Washington had complained to US agriculture department and trade officials about the US offer to sell 100,000 tonnes of wheat to Knwait under its Export Enhancement Program.

The Grains Council of Australia, which represents growers, condemned the US offer.

Mr Andrew Inglis, grains council president, said: "This latest action vindicates our fears and scepticism of the integrity of the US pledges".

He said the US was "directing its export subsidy programme at Australia in a punitive attempt to force us to back off negotiations with Iraq for a return to normalisation of wheat trade."

Drought and debt in land of milk and honey

Hugh Carnegy outlines the several changes transforming the farm sector in Israel

THE TRADITIONAL image is of a desert transformed by irrigation and made to bloom with juicy Jaffa oranges and avocado pears. The painful reality facing Israeli agriculture is more a question of how the land of milk and honey became a land of drought and debt.

Israel remains a leader in irrigation technology, at the forefront of research in new crop and seed development, and still produces plenty of quality fruit and vegetables for export. Yet agriculture is going through a difficult phase which is forcing the industry to confront profound changes.

Mr Martin Sherman, adviser to Mr Raphael Eitan, the Minister of Agriculture, wrote in a recent paper that agriculture used 70 per cent of the country's scarce water at highly subsidised prices and held debts that accounted for 20 per cent of the financial balance of the main banks. Agricultural produce accounted for only 2.8 per cent of GNP.

Perhaps most serious is the water shortage. Poor rainfall during the winter wet season exacerbated a protracted water prohlem. All three main sources of Israel's water - the Sea of Galilee, a coastal aquifer, and an inland aquifer which runs under the occupied West Bank - are depleted.

Pumping from the Sea of Galilee has had to be stopped. The country continues to draw significantly more from the aquifers than is naturally replenished each year and contamination by sea water threatens. Drastic steps have been announced with the main burden falling on the farm sector. It will suffer a 60 per cent cnt in water allocations and prices are about to rise.

There are structural prohlems as well. The dominant co-operative sector, in the form of 270 Kibhutzim and 380 Moshavim settlements, hsve debts totalling more than a 7bn shekels (US$3hn). Many are, in effect, already moribund. As a whole, they are now dependent on a comhination of deht rescheduling and continued government quota systems.

"Judged hy any possihle etandard, the performance of agriculture is inferior to that of the other sectors of the economy ... The inescapable conclusion is that only a drastic transformation in the method of functioning can prevent agriculture, once Israel'e "glory", from becoming irrelevant to our national economy," Mr Sherman wrote.

An attempt at that transformation is being made in the citrus sector, star of the agricultural exports. It has never regained the levels of overseas sales it achieved in the early 1980s when annual earnings attainead a peak of nearly US$250m.

In the 1990-91 season, performance was affected hy late, inadequate rains and the Gulf war. Export earninge of US$150m, are expected by the Citrus Marketing Board, down hy 25 per cent on the previous season.

The response of Mr Eitan - a private farmer himself who has brought a wind of market-oriented change to the ministry - has been to break the CMB's marketing monopoly in ths local and export markets. The aim is to encourage efficiency hy greater competition.

The reform - which does not yet apply to Agrexco, the monopoly export agency for non-citrus products - has been criticised hy some in the collective sector. Critics argue that it will drive down prices and put many growers out of business.

Mgnashe Davidson, chief execntive of the Mehadrin Group, the nation'e higgest privately-owned citrus grower, welcomes the move.

By the old system, he saye "the grower didn't get what the market paid and this distanced the grower from the market. We stayed more in traditional oranges, for example, while Spain moved more into easy peelers, which is what the market wanted."

The Mehadrin operation, with its huge orchards, computer-controlled irrigation and highly-automated packaging houses, provides a good example of what Mr Eitan wants to achieve. Under Mr Menashe, the measure of productivity is output per cubic metre of water, not per hectare.

During five years, the share of its production of traditional Shamouti variety oranges and whita grapefruit has declined respectively from 56 per cent to 32 per cent and from 15 per cent to 8.5 per cent. The share of the high-earning easy peelers and "sweetie" red grapefruit has risen from 6 per cent to 22 per cent and from 3 per cent to more than 10 per cent.

Mehadrin hss also introduced "exotics" such as avocados, mangoee, kumqnats and sharon fruits. The process will continue.

The reforms - the CMB's export monopoly expires in October - will make the citrus sector a testbed for change in the agricultural industry.

The industry'e dilemma is how to balance the shift to higher value, less water-intensive crops, which require less acreage, against the national goal achieved by the collective movement of occupying as mnch of the state's land as possible. It is still regarded in Israel as a political imperative that land should be controlled by Jews.

Defenders of the agricultural estahlishment complain that advocates of pure market solutions are misguided. Meir Ben Meir, head of the state Agricultural Research Organisation, says it is wrong to euggest that Israeli farmers are heavily subsidised. He says state supports are much less than in many other countries, particularly in the EC, yet Israeli exports remain competitive.

He says higher water prices may upset that. "So the name of the game here is to provide the farmer with the technical capahility to produce more from less water and to pay a higher price for a smaller quantity of water." Most agree that this procees must he developed to cover the high cost of installing desalination plants for agriculture.

The shift towards more water efficient, under-cover farming is underway. Mr Ben Meir cites the case of a dwarf peach developed by the ARO which can he cultivated in transportahle, climste-controlled pots to produce high-value, out-of-season yields.

Meanwhile, Martin Sherman says, dry-land agriculture such as grazing and forestry - and even rural tourism - will have to be developed where cotton and other thirsty crops were cultivated to satisfy the political need to sustain Jewish management of the land.

Arguments continue about the role of the Kibhutzim and the Moshavim or what the optimum farm unit size should be. Israeli agriculture has a difficult path to follow to regain its former glory.

Ordeal by water: a farmer walks in the depleted Jordan river

Poland urges Brussels to lift agricultural import barriers

By Christopher Bobinski in Warsaw

POLAND is pressing the European Community to lift barriers to agricultural imports during the next ten years as part of an Agreement of Association being negotiated with Brussels.

The Polish request, which was presented on June 6, represents achallenge to the EC's Common Agricultural Policy which centres ou high import tariffs and subsidies to western european farmers.

Poland is offering to facilitate access to its own market for EC food products, which would be phased in during the same period.

A new round of talks with the EC is scheduled for July 8 in Brussels when the Poles will also be proposing a lifting of barriers to trade in textiles and iron and steel dnring five years.

Overall Polish imports from the EC increased from Ecu 2.9bn in 1989 to Ecu 4.2bn last year and are still growing.

Regarding food, the most sensitive issue, the Poles argue that there is considerahle "complementarity" between their market and the EC, with Polish consumers eager to purchase goods such as fruit, oil and nuts from southern european EC members.

Last year tha valna of imports from the EC of fruit, vegetable, meat and fish products more than trehled from ECU 13m to ECU 49m in 1990.

The Poles want to achieve a free trade regime in food in such a way as "accelerate the restructuring of Polish agriculture as opposed to its destruction".

Warsaw is now under considerable pressure from its farmers, who face a fall in demand at home and are desperate to find new markets.

Tha government says that Poland simply cannot afford to pay budget subsidies to its farmers who make up more than 25 per cent of the population and that restructuring must take place within a free trade framework.

It needs a clear timetable in its agreement with the EC to allow farmers time to prepare for shifts in output.

Navertheless, the Poles expect that farm employment will remain appreciably higher than in the EC for some years.

As a consequence, they expect that the country will be forced to increase ontput in labour-intensive products such as livestock, fruit, vegetable and rapeseed.

Output of potatoes and some dairy products would be stable, while output of sugar, grains, poultry and eggs production would fall.

The Polish proposal expects immediate access to the domestic market for such products as vegetables not produced at home.

Other items for such access include vegetable fats and oils (except for rapeseed oil), fruit juices, and rice, citrus fruit, and mineral water.

In return, the Poles want a lifting of restrictions on horses, poultry excluding chickens, calves, sheep, vegetables, fruit and milk powder, and cheese.

Access for Polish beef, hutter and eggs as well as pork, lamb, cereals and flour would come "within five years".

In return, the Poles would open their market within five years to such products as cattle and poultry from the EC as well as cereals, fresh milk, cheese, alcohol, and rapeseed oil. A ten year period would see the liberalisation for all products on both sides.

WORLD COMMODITIES PRICES

MARKET REPORT

Platinum fell to parity with gold in morning trading on the London bullion market after news that Isuzu Motors had developed a palladium-based catalytic converter for diesel trucks. It closed at $368 a troy ounce – only 50 cents ahead of the gold close. On the LME copper prices eased; the market took little notice of news that Chile's 320,000-tonne-a-year La Escondida copper mine will stay closed for at least a week after a snowstorm on Tuesday cut tha power. The market also dismissed news that Peru's Mining Federation had lifted its strike. However, the market remains cautious whila Chilean labour talks continue.

Aluminium prices closed off the days lows after news that Austria Metall had confirmed plans to close its 83,000-tonne-a-year Ranshofen smelter by the and of 1992. While the news prompted short covering in the afternoon, chartists said it was unlikely to reverse the current downtrend. A close above $1,380 a tonne was needed to indicata a renewed drive towards the overhead target of $1,450 for three-month matal. Barring the emergence of significant news on further cuts in production, the downside target at $1,320 looks the most likely objectiva in the face of record LME stock levels, dealers said.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.15-5.25z	-0.15
Brent Blend (dated)	$17.85-7.95	-.175
Brent Blend (Aug)	$15.15-8.25	-0.1e
W.T.I. (1 pm est)	$19.80-9.90	-.275
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$240-250	-2
Gas Oil	$175-179	+2
Heavy Fuel Oil	$66-67	-
Naphtha	$156-159	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.50	-2.5
Silver (per troy oz)♣	441.50c	-8.0
Platinum (per troy oz)	$368.85	-4.1e
Palladium (per troy oz)	$97.7	+0.95
Aluminium (free market)	$1300	-30
Copper (US Producer)	102½c	
Lead (US Producer)	34c	+1
Nickel (free market)	395c	+e
Tin (Kuala Lumpur market)	N/A	
Tin (New York)	266c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.15p	+0.05*
Sheep (dead weight)†	126.13p	-9.74*
Pigs (live weight)†	86.26p	-0.78*
London daily sugar (raw)	$236.0x	+11.0
London daily sugar (white)	$322.0x	+4.0
Tate and Lyle export price	£250.0	+8.5
Barley (English feed)	£110.5z	
Maize (US No. 3 yellow)	£155.0	
Wheat (US Dark Northern)	£100.0	
Rubber (Jul)♥	56.50p	-0.25
Rubber (Aug)♥	57.00p	-0.25
Rubber (KL RSS No 1 Jul)	234.0m	
Coconut oil (Philippines)§	$365.0x	+10.0
Palm Oil (Malaysian)§	$310.0x	
Copra (Philippines)§	$240.0x	+7.5
Soyabeans (US)	£188.0	-0.5
Cotton "A" index	83.40c	-0.2
Wooltops (64s Super)	394p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jun/Jul t-Jul/Sep u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	220.00	216.00	223.00 217.60
Oct	196.00	195.60	196.40 195.00
Dec	194.80	193.60	186.80 186.80
Mar	189.80	189.60	190.00 188.40
May	190.80	190.60	190.40 190.00
Oct	196.60	194.80	192.00
White	**Close**	**Previous**	**High/Low**
Aug	311.0	313.5	315.0 310.5
Oct	271.0	274.0	274.0 270.5
Dec	262.5	265.5	263.0
Mar	265.0	266.5	267.2 264.0
May	265.5	267.0	266.0

Turnover: Raw 1256 (1594) lots of 50 tonnes. White 936 (942). Paris- White (FFr per tonne): Aug 1903, Oct 1668.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Aug	18.13	18.21	18.34 18.05
Sep	18.28	18.41	18.50 18.23
Oct	18.50	18.63	18.65 18.50
Nov	18.70	18.77	18.77 18.70
Dec	18.67	18.75	18.80 18.67
IPE Index	18.33	18.28	18.33

Turnover 21953 (23411)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jul	172.25	171.75	172.50 170.00
Aug	172.50	172.50	172.50 170.50
Sep	174.25	174.50	174.25 173.00
Oct	176.25	176.50	176.50 175.00
Nov	178.75	178.50	178.75 177.50
Dec	179.75	179.75	180.00 178.50
Jan	177.00	177.25	177.25 175.75
Feb	173.00	173.50	173.00
Mar	169.00	170.00	169.00

Turnover 7294 (4394) lots of 100 tonnes

WOOL

With the Australian selling season ending next week demand for wool there remains good. The market indicator has reached 600 Australian cents a kg., 40% above the low of 128 cents reached just after free market conditions returned. While Australia is a rising market, New Zealand and British wool sales made a poor showing recently. The trade in general is still uncertain about prospects next season. Stockpile wools are then offered on a larger scale while new season's wool is coming onto the market. As for the wool-using industry there are improvements and the hope is that the recession is past its worst.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	609	615	616 605
Sep	646	655	657 646
Dec	686	694	697 686
Mar	723	731	736 722
May	743	751	756 742
Jul	765	770	775 766
Sep	786	790	796 784

Turnover: 6029 (9051) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne): Daily price for Jun 1e 815.31 (796.66) 10 day average for Jun 19 768.37 (786.73)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jul	535	542	543 530
Sep	560	569	570 557
Nov	579	590	593 578
Jan	601	e10	613 598
Mar	619	626	630 619

Turnover: 7925 (8205) lots of e tonnes. ICO indicator prices (US cents per pound) for Jun 10 : Comp. daily 65.12 (64.91). 10 day average 65.75 (65.62)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	114.5	113.0	115.0 113.0

Turnover 111 (484) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Dec	140.30		140.30
Mar	145.00		145.00

Turnover 26 (22) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jun	1725	1725	1735 1725
Jul	1605	1595	1620 1600
Oct	1660	1670	1680 1675
BFI	1706	1704	

Turnover 183 (135)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jun	134.10	132.50	134.90 134.25
Sep	112.65		112.65
Nov	115.80	116.10	116.00 115.80
Jan	119.65	119.95	119.80 119.60
Mar	123.00	123.25	123.15 122.95
May	126.10	126.30	126.10
Barley	**Close**	**Previous**	**High/Low**
Sep	110.90	111.15	111.10
Nov	114.70		114.75
Mar	121.00		121.15 120.95

Turnover: Wheat 216 (156), Barley 50 (12). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jul	109.0		108.0
Sep	109.0	107.5	108.0 107.0
[illegible]			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

[illegible]

LONDON BULLION MARKET

[illegible]

GOLD COINS

[illegible]

TRADED OPTIONS

[illegible]

New York

[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

[illegible]

FINA

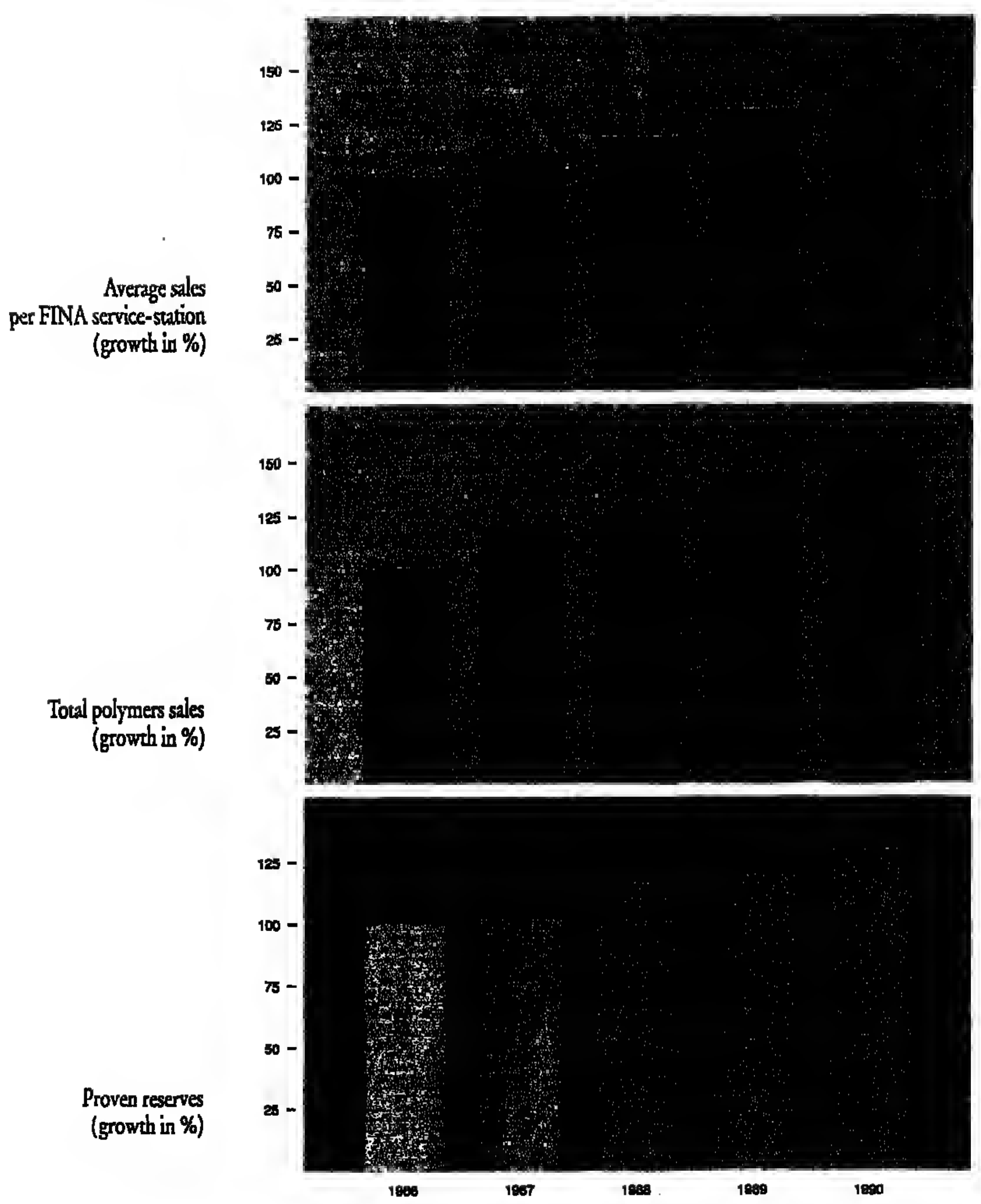
PETROFINA

All-Time Investment High

1990

Financial Highlights (million BEF)	1990	1989	1988
Petrofina consolidated income	21,715	21,822	20,191
Cash flow	49,626	53,264	56,888
Capital expenditure	67,340	47,435	64,505
Turnover	577,692	577,673	486,721
Duties and taxes	162,211	145,217	133,108
Fixed assets (net of depreciation)	225,010 [1]	226,184	212,460
Dividends	12,428	12,014	10,150
Operating Highlights	**1990**	**1989**	**1988**
Crude oil production (thousand metric tonnes)	5,733 [2]	5,865 [2]	5,668
Natural gas sales (million cubic metres)	5,938 [2]	5,652 [2]	4,283
Crude oil processed in the Group refineries (thousand metric tonnes)	27,566	27,635	27,100
Refined product sales (thousand metric tonnes)	35,777	36,293	33,680
Polymers and synthetic rubber production (thousand metric tonnes)	1,220	1,165	1,089
Group proven reserves (million oil-equivalent tonnes)	119.9	109.3	107.9

[1] In 1990, fixed assets are valued at year-end rates.
[2] The production and sales figures are expressed net of royalties payable in kind. In the United States, they are quoted net of all royalties.



EXTRACTS FROM THE REPORT OF THE BOARD OF DIRECTORS

Petrofina's share of Group consolidated profit for 1990 was 21,715 millioo Belgian francs (£ 365,166,000 or $ 649,922,000). This result was calculated oo the basis of a new accounting rule, which conforms to international practice and complies with the Royal Decree of March 6, 1990 cooceming consolidated accounts. Expressed in US dollars, profit based on the new method increased by 9% from 1989 to 1990.

Consolidated turnover remained at 577 billioo Belgian francs (£ 9,714,325,000 or $ 17,289,542,000). Cash flow totalled 49.6 billion Belgian francs (£ 834,526,000 or $ 1,485,288,000). Group capital expenditure, which was about 47.5 billion Belgian francs in 1989, climbed to 67.3 billion Belgian francs in 1990. In 1991, new investment commitments will total about 57 billion Belgian francs.

The dividend is payable in respect of 22,140,057 shares.

GROUP ACTIVITIES

Exploration and Production

Major investment in upstream activity of the Group during recent years has resulted in continued increase of both reserves and production. At the end of 1990, exploratioo acreage totalled 85,128 square kilometres, representing an increase of 47% on the 1989 figure.

In 1990, Petrofina participated in the commencement of major development projects oo a number of North Sea fields. These projects, for the T-Block and the Alba field in the UK sector and for the Embla field in the Norwegian sector, imply a Petrofina investment of around 28 billion Belgian francs and will warrant increasing levels of production in future.

Group exploration efforts focus on two types of areas: those in which it has extensive experience, such as the North Sea, the Gulf of Mexico and West Africa, and new areas with high reserve potential. The Chukchi Sea in Alaska, certain Far Eastern regions such as Vietnam and the Central African Rift are among these priority exploration areas. The Group is also interested in oil-producing countries which are opening up to international petroleum companies, such as Libya and the Soviet Union.

Refining

Group refineries processed 27.6 million tonnes in 1990. Investment programmes will be completed in 1991 in the Antwerp (Belgium) and Port Arthur (United States) refineries.

At Port Arthur, the modernization programme increased the refinery's annual capacity to 6,700,000 tonnes.

In Europe, the Group is in a favourable position to meet rising demand for unleaded gasolines, including the high octane grades.

Marketing

In 1990, Petrofina network sales and non-oetwork contracted sales showed a marked rise. In Europe, sales through our own service station network increased by 6% and non-network sales by 11.9%. In the United States, network sales advanced by 20% and jobbers' network by 7.7%. This achievement is mainly due to the promotion and standardization of the Fina network and Fina brand image, both in Europe and in the United States.

Chemicals

In 1990, as steady demand for the Group's products continued, all plants operated at full capacity. Despite a squeeze on margins for base products, profits remained satisfactory.

In Europe, at Antwerp and Feluy, and in the United States, at Carville, the Group continued to invest heavily, with the aim of improving the integration and performance of its plants.

Paints

The Sigma Coatings Group has reinforced both its industrial and commercial positions in Europe. Its highly specialized products are sold all over Europe, Asia, the Middle East and the United States.

Research and Development

In 1990, construction work continued at Feluy (Belgium), on the site of Fina Research, Petrofina's main European research and development centre.

Various processes and products for industrial and commercial applications were designed and improved at Feluy in 1990.

Environment and Safety

In 1990, Petrofina intensified its efforts to ensure that its products and processes satisfy environmental protection requirements. Convinced that this concern must cootinue right through to the treatment of products after their use, the Group took part in several recycling and waste-management projects.

A new directorate general will coordinate and promote safety and environment issues and carry out related research. This department will encompass industrial processes and products, staff-training, research and activities undertaken by affiliates, in view of environmental impact, health, safety and quality.

Human Resources

Petrofina applies a strategy in this field which ensures professional competence, responsibility and self-fulfilment, by implementing functional and geographic job rotation.

Finance

Integrated treasury and financial operations, standardization and optimization of accounting methods have improved the quality of administrative support to industrial and marketing activities.

Shareholders' equity at December 31, 1990 stood at 135 billion Belgian francs.

The total financial debt amounted to 94 billion Belgian francs, compared with 66 billion Belgian francs in 1989. The total debt to equity ratio was 70%, gearing ratio 41%.

Allocation of profit

The Annual General Meeting held on May 13, 1991 approved a dividend payment of 561 Belgian francs for the fiscal year 1990 (555 Belgian francs for the fiscal year 1989).

Coupon No. 6 will be payable as from May 23, 1991.

The full annual report, including the report of the Statutory Auditors, is available on application to Petrofina S.A., Public Relations and Communication Department, rue de l'Industrie 52, B-1040 Brussels.

Name ______________________

Address ______________________

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B

LONDON STOCK EXCHANGE

Interest rate concerns depress shares

Account Dealing Dates		
*First Dealings:		
June 3	Jun 17	Jul 1
Option Declarations:		
Jun 13	Jun 27	Jul 11
Last Dealings:		
Jun 14	Jun 28	Jul 12
Account Day:		
Jun 24	Jul 8	Jul 22

*New-time dealings may take place from 8.30 am two business days earlier.

FADING confidence on prospects for further cuts in global interest rates depressed the UK stock market yesterday, inflicting one of the sharpest daily falls in the FT-SE Index since March 27. But trading volume was only moderate and analysts questioned whether the outlook for domestic interest rates had altered in any significant degree.

The London market, like other European bourses, took its lead from the heavy setback overnight in Tokyo where the stock market lost about 2.8 per cent to fall to its lowest level since early February. This followed unconfirmed reports in Tokyo had said that the discount rate was unlikely to be reduced again in the immediate future.

The UK market fell by more than 26 points initially and an attempted rally was firmly stamped out when Wall Street opened the new trading session with a fall of 34 Dow points, taking it nearly 50 points below the Dow 3,000 mark. At the close, the FT-SE Index was down by 31.3 to 2,484.7, a return to the levels last seen at the end of May.

Seaq-reported volume, above recent average daily levels, reached 422.3m shares compared with 574.3m on Tuesday. But totals for Tuesday and yesterday were swollen by the heavy interest in the two new Scottish power generator stocks. Scottish Power traded 41m shares yesterday and Hydro-Electric 28m, with investors less happy with both share prices.

In addition to the global interest rate uncertainties, which were fuelled towards the close by confirmation that the financial representatives of the G-7 countries will meet in London this weekend, the London market was upset by renewed political tremors. These followed the sharply-worded clash between Mrs Margaret Thatcher and Mr Edward Heath, both former UK prime ministers, on British attitudes to European integration.

Political uncertainties, rooted in the Conservative government's poor showing in the UK public opinion polls, brought falls in privatisation stocks, particularly the water issues and the Scottish power stocks.

The final picture was drab, and the effect on the Footsie Index was increased by a heavy loss in Glaxo, a leading constituent, which has moved with great volatility over the past fortnight. ICI also weakened as indications grew that any further move from the Hanson camp is likely to meet determined opposition.

But equity strategists, while acknowledging that the loss of FT-SE 2,500 was discouraging, did not sound particularly down-hearted.

"Views on global rates do not necessarily change views on the domestic scene. Another half point cut in base rates is still probable in the coming weeks," said Mr Richard Kersley of Barclays de Zoete Wedd.

The general opinion was that yesterday's setback represented a fairly modest sell-off in UK equities. Market makers were clearly quick to protect themselves, often by selling the FT-SE futures contract which traded at a discount to the underlying index throughout the session, and trading volume overall was in no sense alarming.

● With effect from July 1, Scottish Power, Inchcape and Rentokil Group will join the FT-SE 100 Index, replacing Ranks Hovis McDougall, Harrisons & Crosfield and Hammerson Properties. The Reserve List is now Northern Foods, Sedgwick Group, Hammerson Properties, Booker, Scottish Hydro-Electric and Harrisons & Crosfield.

Glaxo hit by drug data

GLAXO fell 3.6 per cent as traders marked the stock lower on a weaker dollar and further details on its migraine drug Imigran. The shares ended 47 down at 1,244p. Turnover was a steady 2.4m.

The Imigran data sheet, published by the company yesterday, appeared to indicate smaller sales prospects than some market specialists had anticipated. It specifies a dose of one tablet instead of the two that many analysts had assumed.

In addition, the list of circumstances in which the drug should not be used is more extensive than some had thought. Earlier this month, Glaxo shares jumped 7 per cent in one day on news of the high pricing of Imigran.

Analysts acknowledged that the fall could have been exaggerated by the fact that Glaxo is one of the marketmakers' favourite trading stocks; when business is quiet, traders seek to maximise income by moving the price sharply.

There was evidence yesterday to support this view in the traded options market, where *Glaxo easily topped the list of* actives.

Wellcome outpaces

Wellcome was easily the best performer among the eight *FT-SE 100 stocks* to gain ground yesterday. Sentiment was boosted by news from a large Aids conference in Florence, Italy.

Wellcome's Retrovir, the only approved Aids treatment, *has been found* to be effective in patients still in the early stages of treatment. Children infected with the Aids virus tolerate the drug well and possible competitive drugs have been found to have more adverse side effects than anticipated. A York University health economics study suggested that Retrovir saved money on treatment because patients using it spent less time in hospital.

The company's shares were 27 higher at one point and closed a net 21 ahead at 665p. Turnover was a good 2.2m.

C and W active

Speculation that Cable and Wireless was about to make a significant announcement from Hong Kong fired up the telecommunications sector yesterday afternoon.

The market stories, which surrounded the much discussed prospect that Cable might bid for Racal Telecom, boosted trading volumes but left the share prices relatively little affected. Cable finished 6 down at 542p on a turnover of 3.5m shares, while Racal Telecom, down 8 at one stage, picked up to close 4 off on the day at 354p.

Mr Brian Newman of Henderson Crosthwaite said: "There was a frantic period of a few minutes just before 3.30pm when rumours of a bid reached new heights." Most analysts agreed that there was very little behind the talk and one said the rumour mongering "reflected the market at its worst".

Utilities lost ground as disharmony in the governing Conservative party increased the perceived chances of a Labour victory in the next general election. Most of the companies concerned are unlikely to be renationalised, but there are fears of tighter regulatory controls.

A disappointing performance from the Scottish electricity generators in their second day of trading also hurt sentiment. Press comment on their yields left Scottish Power 5 off at 110½p and Scottish Hydro-Electric 6 down at 116p. Turnovers were 48m and 24m respectively, lower than marketmakers had hoped for.

Regional electricity distributors were soft too with, for example, London Electricity, 4½ easier at 192p. The exception was East Midlands, just ½ firmer at 195p after announcing a 31 per cent increase in full year profits.

Water companies underperformed as did British Gas, slipping 4 to 247p on substantial turnover of 8.2m. British Telecom followed suit, losing 7½ to 368p. There was healthy two-way business and 6.3m shares were traded.

Enterprise Oil lost 9 to 509p as 1.75m shares were placed by one of London's top three securities houses at 508p. The placing did little to inspire the rest of the sector and Lasmo declined 9 to 320p.

Eurodisney lost ground after the company said it is launching a 6¾ per cent convertible bond due in 2001 to raise FFr4bn. Earlier talk of such an issue softened the blow but the shares slipped 22 to 1168p.

Manchester United, the football club, declined 8 to 286p after it was confirmed that Mr Kevin Maxwell, son of publishing magnate Mr Robert Maxwell, had cut his stake from 4.2 per cent to less than 3 per cent.

Among engineering stocks, which saw quiet trading on the whole, Vickers relinquished 10 to 205p after a downgrading by Kleinwort Benson.

Thin turnover exaggerated gains in composite insurers that were prompted by hopes of quick rises in insurance premiums. Commercial Union firmed 3 to 507p, General Accident rose 6 to 541p and Royal Insurance added 6 at 451p.

Stores were relatively steady after the tumble prompted by the Sainsbury cash call on Tuesday. Argyll (284p), Asda (98p) and Tesco (267p) all held their falls to a penny.

Shoprite, the Isle of Man-based food retailer, jumped 25 to 303p on thin volume. Observers said investors were beginning to take notice of the group's aggressive expansion programme into Scotland.

Sears dipped 4 to 79p as some analysts lowered profits forecasts for the company. United Biscuits was 2 firmer at 362p in advance of a visit by analysts to the company today.

FKI, the electrical engineering group, firmed a penny to 59p after reporting that subsidiary Bristol Babcock had won a contract worth nearly £4m to refurbish the control and instrumentation system at Doha West Power Station, Kuwait.

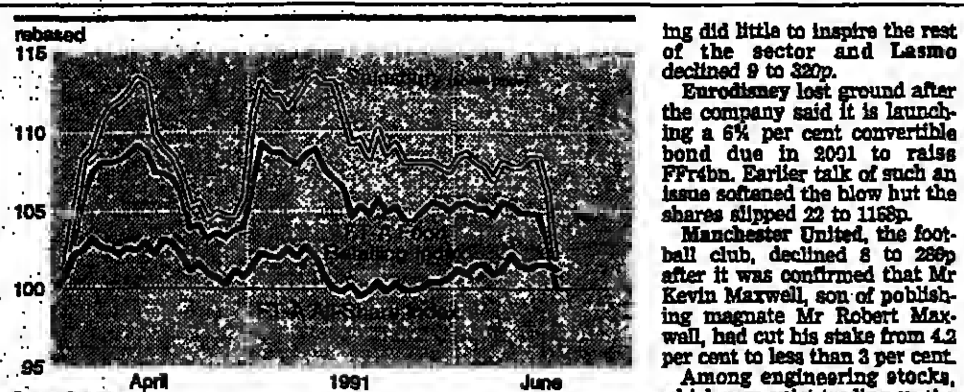
Industrial services group Braithwaite weakened 11 to 116p after announcing a 43 per cent profits fall to £1.32m and a reduced dividend. Further consideration of analysts' recent cuts in profits forecasts for Steetley, the building materials group, sent the shares down 16 to 331p.

A strong run for Siebe came to a halt and the shares receded 11 to 453p. Booth Industries, the steel engineering and design group, improved 5 to 92p after revealing steady full year profits.

The announcement that a Japanese company was offering 130p a share for Flexello, the maker of castors and trolley wheels, left the shares 20 stronger at 125p. Nansin, a privately owned Japanese manufacturer of castors, industrial rubber products and aluminium diecastings, has agreed to take 54 per cent of Flexello's shares.

Rosehaugh recovered 3 to 40p, still 12 below last Friday's close, after announcing some property sales. The shares had dropped on fears that some hoped for disposals would not be made before the company's June 30 year-end.

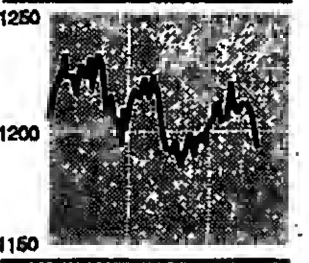
■ Other market statistics, *including the FT-Actuaries* Share Indices and London Traded Options, Page 28.



Source: Datastream

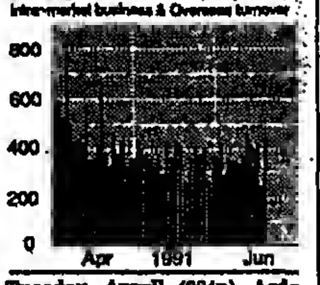
J. Sainsbury's £489m rights offer on Tuesday ended a strong run by the food retail sector which, for the first time since early April, is now failing to outperform the FT-A All-Share index. Many analysts claim the setback is no more than a blip, that the cash calls are unlikely to dilute earnings in the sector, which will remain strong. However, Mr Jeremy Alun-Jones of Salomon Brothers, who mooted a Sainsbury rights issue earlier this year, is cautious. He argues that sector competition is bound to intensify, forcing second-line companies to cut prices, and generally reducing profitability.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (84).
AMERICANS (8) Amer. T & T, BankAmerica, Bethlehem Steel, Eaton, Lockheed, Unitek, Utilitech Inc., Whirlpool, CANADIANS (6) Amer. Barrick Res., Bk. Nova Scotia, Hudson's Bay, Imperial Oil, Transcanada Pipelines, BANKS (1) Natl. Australia, CHEMICALS (4) BTP, Engelhard, Montedison, Rentokil, STORES (1) Sherwood, ELECTRICALS (3) Johnson Elect., Magnetic Mats., Misys, ENGINEERING (1) Booth Inds., FOODS (6) Dalepak, M & W, Peripheral (CP), Shoprite, Tate & Lyle 7.25pc Prf., Wessanen, INDUSTRIALS (14) BH Props., CSR, Gallay Pac. Airlines, Dover Crp., Canalle AB, Flexello C & W, Jardine, Quotient, RCO, Ramco Oil, Salon Healthcare, Siebe, Swire Pac. A, Wellcome, INSURANCE (1) Amer. General, PAPERS (1) SCA B Free, TOBACCOS (1) Rothmans B, TRANSPORT (4) BAA, CSX, GATX, Seacon, TRUSTS (13) Alliance, Bets Global Envy. Mids., Do. Wrnts, Dartmoor, Gen. Oriental, Genesis Chile Fd., Govett Atlantic, Law Deb., Sec. Alliance, Sth. East Asian Wrnts., MINES (4) DRX, Durban Deep, Kloof Gold, MIM.

NEW LOWS (88).
BANKS (2) Ansbacher (H), Guinness Mahon, BUILDINGS (8) Freeman, Sandell, Sheriff, Tarmac, Westbury, CHEMICALS (1) Astra, STORES (3) Church, Sears, Usher (F), ELECTRICALS (4) INSTEM, Pelon, Scantronic, TGI, ENGINEERING (1) Lee (A), FOODS (3) ABDA, Albert Fisher, RHM, HOTELS (2) Regal, Ryan, INDUSTRIALS (8) Armour Tst., Dean & Bowes, Delaney, Dyson (J & J), Gestetner, Havelock Europe, Sybron, Tamaris 8½pc Prf., West Inds., LEISURE (1) TVS Ent. 7.4pc Prf., PAPERS (1) Colefax & Fowler, PROPERTY (8) Anglo St. James, Greycoat, Land Sec., MEPC, Marivale Moore, SHOES (1) Stylo, TRANSPORT (1) P & O Sub. Wrnts. 1988-92, TRUSTS (2) Drayton Consld., Independent Wrnts., OILS (5) Brabant Res., Cairn Energy, Clyde, Goal, Gt. Western Res. Class A, Kelt Energy, Teredo, Ultramar, MINES (1) Gold & Base.

FINANCIAL TIMES STOCK INDICES

	June 19	June 18	June 17	June 14	June 13	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	83.75	83.65	83.681	83.83	83.95	79.85	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.85	92.90	92.97	92.94	92.93	88.30	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1948.3	1971.8	1977.6	1978.3	1970.8	1903.4	2014.5 (5/4)	1606.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	199.5	198.4	197.2	201.8	205.2	169.9	209.1 (11/6)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2484.7	2516.0	2524.0	2532.3	2514.9	2371.2	2546.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1162.89	1176.07	1178.69	1181.89	1179.47	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.87	4.81	4.80	4.82	4.84	4.85				
●Earning Yld %(full)	8.58	8.50	8.48	8.51	8.55	10.69				
●P/E Ratio(Net)(☆)	14.33	14.50	14.54	14.50	14.42	11.32				
SEAQ Bargns 4.45pm	27,328	28,572	22,536	28,081	25,296	23,686				
Equity Turnover(£m)†	-	853.40	554.41	919.95	969.25	877.52				
Equity Bargains†	-	30,381	22,650	28,834	24,326	22,817				
Shares Traded (ml)†	-	445.0	242.3	420.9	394.9	376.2				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 13.74. 1 Correction

Ordinary Share index, Hourly changes — Day's High 1962.6 — Day's Low 1948.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1962.6	1958.2	1958.7	1955.6	1957.2	1958.4	1957.3	1953.0	1952.2

FT-SE 100, Hourly changes — Day's High 2504.2 — Day's Low 2484.7

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2503.7	2498.1	2497.7	2493.6	2495.2	2497.2	2495.6	2490.3	2491.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1168.97 — Day's Low 1161.26

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1168.65	1168.14	1168.26	1167.43	1167.06	1166.94	1162.79

GILT EDGED ACTIVITY

Indices*	June 18	June 17
Gilt Edged Bargains	106.6	81.1
5 – Day average	96.4	94.8

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index:
Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	43	740	-38	Courtaulds	862	395	-7	MB Caradon	384	273	-8	Severn Trent Water	1,600	245	-5
AMDA Group	2,800	98	-1	Dalgety	483	387	+2	MEPC	132	485	-4	Shell Transport	1,700	516	-5
Abbey National	2,800	298	-1	De La Rue	294	398	-5	Manweb	1,700	242	-4	Siebe	456	453	-11
Albert Fisher	1,000	112	-1	Dixons	2,300	208	-4	Marks & Spencer	2,900	249	-5	Slough Ests	2,530	232	-2
Allied-Lyons	880	534	-7	ECC Group	705	400	-2	Maxwell Comms.	128	203		Smith (W H) A	178	385	-1
Amstrad	1,100	88	-1	Eastern Elect.	1,400	179	-4½	Midland Bank	2,800	202		Smith & Nephew	3,300	171½	-3
Anglian Water	778	276	-8	East Midland Elect.	1,000	195	+½	Midlands Elect.	444	205	-1	SmKl Beecham	1,400	783	-12
Argos	769	298	-1	Enterprise Oil	2,300	509	-9	NatWest Bank	2,200	304	-3	SmKl Beecham Uts	65	2093	-72
Argyll Group	3,500	284	-1	Eurotunnel Units	853	452	-13	National Power	7,200	135	-3½	Smiths Inds	231	340	
Arjo Wiggins	843	249	-2	FKI	3,800	59	+1	Next	2,400	25	-1	Southern Elect.	362	188	-5½
Ass. Brit. Foods	49	509	-8	Ferranti	821	10		North West Water	2,800	274	-13	South Wales Elect.	705	250	-3
[illegible]															
Cable & Wire	3,500	542	-6	Legal & General	842	424	-7	Sainsbury	2,800	346	-6	Whitbread 'A'	1,000	484	-12
Cadbury	1,700	358	-1	Lloyds Abbey	888	380	-8	Scottish & New	1,100	385	-8	Williams Hldgs.	1,300	322	-5
Coats Viyella	3,800	158	-2	London Elect.	1,000	192	-4½	Sears	6,100	79	-4	Yorkshire Elect.	802	232	-3½
Courtaulds	2,300	111		Lucas	1,300	147	-8	Seaboard	483	198	-8				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

FUTURES and options markets were very weak yesterday as professional traders reacted to the overnight drop in Tokyo equities, soon followed by a sell-off on Wall Street.

Several large UK securities houses sold the FT-SE June future strongly from the opening of the derivatives markets, and the contract, nominally at a zero fair value premium *ahead of its expiry* at the end of the month, traded at a discount throughout.

In traded options, turnover in the FT-SE contract increased three-fold to a total of 10,361 contracts. The Euro FT-SE contract was also busy (1,683 contracts).

● The London Traded Options Market said yesterday that options dealing will remain floor-based when it joins the London International Financial Futures Exchange at Cannon Bridge in January next year, *writes Jim McCallum.*

Two months ago, the boards of LTOM and the London International Financial Futures Exchange told members they were actively examining moving stock options on to screen-based trading.

But in a letter to LTOM members from Mr Geoffrey Chamberlain, its chairman, he said a fully automated market would not be introduced for at least 18 months and then it *would have to be approved by* the members of the new merged derivatives exchange.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

[illegible]

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1990: 130.3 and for May 1991: 133.5.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

Continued on next page

APPOINTMENTS

Promotions at Procter & Gamble

■ At PROCTER & GAMBLE Mr John O'Keeffe, general manager and managing director, has been promoted to division manager-Northern Europe from July 1. He will be responsible for P&G business in the UK, Germany and Scandinavia.

He will be succeeded by Mr Michael Clasper, currently general manager of Procter & Gamble Holland.

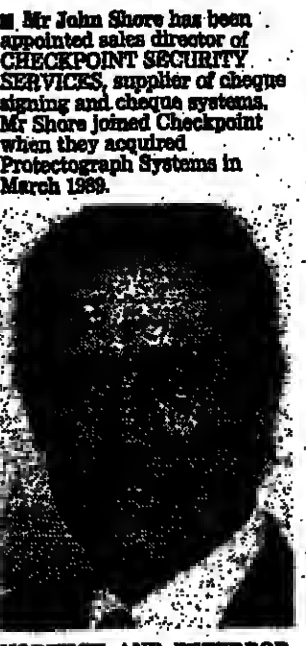
■ Mr John Howarth has been appointed manufacturing director of MINTEX DON, part of the BBA Group. He joined the company in 1986 as plant manager of the commercial vehicle brake lining plant in Manchester.

■ Following the FUCHS (UK) takeover, Mr Adrian J. Parsons has been appointed group managing director of the CENTURY OILS GROUP. Mr Parsons continues as chief executive of Silkolene and as a director of FUCHS (UK).

Dr Manfred Fuchs, Sir Charles Ball and Dr Gerhard Vogel have been appointed directors of the Century Oils Group. Dr Fuchs was appointed chairman and Sir Charles deputy chairman.

■ Mr John Northard has been appointed chairman of BRITISH COAL ENTERPRISE in succession to Mr Merrik Spanton who has retired.

■ Mr John Shore has been appointed sales director of CHECKPOINT SECURITY SERVICES, supplier of cheque signing and cheque systems. Mr Shore joined Checkpoint when they acquired Protectograph Systems in March 1989.



NORWICH AND PETERBOROUGH BUILDING SOCIETY has appointed Mr Brian Manning *(pictured)* as a director. He is a director of Kleinwort Benson Group, chairman of Virginia Trading Corporation (Chicago based futures broker) and a director of Sharps Pixley.

■ At MIRA Dr Clive Hickman becomes director of research and development in succession to Mr Peter Willmer, who has been acting managing director since December 1990. Since 1988 Dr Hickman has been chief engineer of one of MIRA's divisions.

■ Mr Peter Chappelow, former marketing director with Next Grattans, has joined the UK cottage holiday company, COUNTRY HOLIDAYS, as group marketing director.

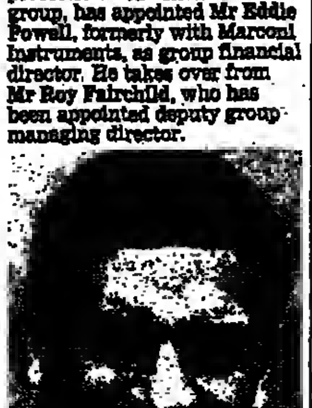
■ D.J. FREEMAN has appointed Mr Geoffrey Harding as finance director from August 12. He will sit as a member of the firm's executive committee.

■ BRITISH AEROSPACE has appointed Mr Richard Large as president, British Aerospace Japan from July 1. Mr Large has had many years experience working in Japan, holding a number of senior positions with various John Swire & Son companies in the Far East, in particular Cathay Pacific.

■ Mr Eric Sorensen, chief executive, and Mr Neil Spence, assistant chief executive, finance and administration, have joined the board of the LONDON DOCKLANDS DEVELOPMENT CORPORATION.

■ GE THORN LAMPS, the newly-formed partnership between Thorn EMI and GE Lighting, has made the following appointments. Mr David Momot becomespresident and chief executive of the new company. Mr Robert B. Merrill has been promoted to the position of vice president-manufacturing. Mr Leonard C. Purkis has been named vice president-finance, Mr Alan Rasmussen vice president, human resources, Mr Eric Bragge, vice president and director, marketing and product management and Mr Alan Chalmers is made vice president and director, technology and engineering.

■ COLT GROUP, the fire protection and ventilation group, has appointed Mr Eddie Powell, formerly with Marconi Instruments, as group financial director. He takes over from Mr Roy Fairchild, who has been appointed deputy group managing director.



SCOTTISH EQUITABLE has appointed Mr Keith Luckhoo *(pictured)* as sales director of its unit trust operation. He joins from the Life Association of Scotland where he was a director of the unit trust and investment management companies.

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
31⅞	20¾	Abbott Laboratories$	30⅞	–¼	$1.00	–	1.9
385p	257p	♦Allegheny & W 1c	333p	.....	30c	–	5.3
10¼	667p	Amdahl 5c	977p	–8	10c	–	0.6
41	25¼	Amer. Cyanamid $3	40¼	–¼	$1.50	–	2.2
17¾	9⅞	Amer. Express 60c	14⅞	+⅛	92c	–	3.7
23¼	15¼	American T. & T. $1	23¼	+¼	$1.32	–	3.3
38¾	32½	Ameritech $1	36	–½	$3.16	–	5.2
24	12⅞	BankAmerica $1⅛	24	+¼	$1.20	–	3.0
34¼	20⅞	Bankers N.Y. $1	33½	+⅛	$1.52	–	8.6
29¾	24¼	Bell Atlantic $1	28⅝	–¼	$2.36	–	4.9
31¼	25	BellSouth Corp	29½	–⅛	$2.68	–	5.4
11¼	6⅞	♦Bethlehem Steel $8	11¼	+⅛	40c	–	2.1
1839p	1046p	Bowater Inc.	1791p	–48	$1.20	–	4.0
9½	4½	Brunswick 75c	9	.....	44c	–	2.9
54	37⅞	CPC Intnl. 25c	54	.....	$2.00	–	2.2
852p	420p	California Engy	717p	–9	–	–	–
50	28¼	Campbell Soup 15c	45¾	–¼	$1.16	–	1.5
12¾	5⅞	Chase Manhattan $12½	12⅛	+⅛	$1.20	–	5.7
8⅞	5½	Chrysler $6¼	8⅝	–¼	60c	–	4.1
10⅝	5⅞	Citicorp $1	10⅛	.....	$1.00	–	5.9
25	21⅞	Colgate-Palmolive $1	24¼	–⅛	$1.06	–	2.5
845p	438p	Cont'l Bank Corp $4	829p	–2	$1.00	–	7.1
21⅝	13⅛	Dana Corp $1	21½	–⅛	$1.60	–	4.4
1056p	203p	Data General	907p	–68	–	–	–
22	12¾	Dial Corp. $1.5	22	.....	$1.40	–	3.8
29⅝	20¼	Dun & Bradstreet $1	29½	–⅛	$2.16	–	4.3
39	24¼	Eaton Corpn. 50c	39	+¼	$2.20	–	–
8¼	5½	Echlin Inc.	8¼	.....	70c	–	5.0
18⅞	14⅞	FPL Group 1c	18½	–⅛	$2.40	–	7.6
29¾	17⅞	Fluor Corp 62½c	29⅛	+⅛	32c	–	0.7
22⅞	13¼	Ford Motor $1	22⅞	.....	$1.60	–	2.6
46½	28⅞	Gen. Elect. 63c	46¼	–⅛	$2.04	–	2.6
566p	270p	♦General Host Corp $1	535p	–19	34c	–	5.8

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

For Scott Hydro-Electric and Scottish Power see EQUITIES under LONDON RECENT ISSUES page 33

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

For Trusthouse Forte see Forte

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. *Estimated price/earnings ratios* and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ⌀ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ *Merger bid or reorganisation in progress*
- ⁑ Not comparable
- ⦁ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; *xf ex capital distribution.*

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1	655	.....
Finlay Pkg. 5p	27	.....
Holt (Jos) 25p	1825	.....

IRISH

Cap. 8½% Ln. 1991	£99¾	.....
9oc Cap Ln. 1996	£98½	.....
Fin. 13% 97/02	£115	.....
Arnotts	165	.....
Helton Hldgs.	40	-3
IRG	128½	.....
United Drug	173	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	38
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons.	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met.	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen.	36
Lex Service	28
Lloyds Bank	38
Lucas Inds.	15
Marks & Spencer	27
Midland Bk.	18
Nat West Bk	27
P & O Dfd.	51
Racal Elect.	18
RHM	28
Rank Org Ord.	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	13
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs.	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm.	3
Brit Petroleum	29
Burmah Castrol	49
Conroy Petlm.	10
Gaelic Res.	1
Premier	6
Shell	41
Tuskar Res.	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

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AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time at which the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation.

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INSURANCES

OTHER UK UNIT TRUSTS

Century Life Plc

2 Eyre Street Hill, London EC1R 5AE 071-278 4488

City of Edinburgh Life Assurance

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Far East Emerg Econ	42.9	45.0	-0.1	—
Fund of Inv Tsts	59.2	62.2	-0.2	—
Money	131.0	138.6	—	—
Special Situations	81.4	85.5	-0.4	—
UK Growth	122.3	128.4	-0.9	—
World Growth	118.8	124.7	-0.4	—
Pension Funds				
Fund of Inv Tsts	132.0	138.7	-0.4	—
Special Situations	119.8	125.8	-0.3	—
UK Growth	202.9	213.1	-1.0	—
World Growth	146.4	153.7	-0.5	—
UK Life Assurance				
Managed	102.1	107.4	-0.2	—
Property	129.5	136.3	-0.5	—
Equity	130.5	137.4	-0.4	—
International	90.4	95.1	-0.2	—
Fixed Interest	114.1	120.1	-0.2	—
Deposit	132.8	139.3	+0.1	—
Langham "A" Plan	113.9	119.8	—	—
Langham Prop Bond	634.2	667.3	—	—
Langham Wisp Managed	172.4	181.4	—	—
Pension Funds				
Managed Capital	74.2	78.1	—	—
Managed Accum	117.4	124.1	+0.2	—
Property Capital	99.0	104.3	-0.3	—
Property Accum	157.1	165.4	-0.3	—
Equity Capital	96.4	101.4	-0.2	—
Equity Accum	153.1	161.2	-0.2	—
Intl Capital	62.2	65.3	—	—
Intl Accum	98.8	104.0	+0.1	—
Fxd Int Capital	87.5	91.9	—	—
Fxd Int Accum	138.4	145.9	+0.1	—
Deposit Capital	112.1	118.0	+0.3	—

Continued on next page

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	106.7	112.3	.....	-
Pension Managed Fd	104.4	109.9	.....	-
Life Deposit Fd	107.4	113.1	.....	-
Pension Deposit Fd	112.7	118.6	.....	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	109	119.9	-0.5	-
Managed Growth	138.2	152	-0.6	-
Managed Opportunity	141.2	155.6	-0.6	-
NFMC Target Financial	100.2	107.9	-0.7	-
Pension Funds				
Managed Cautionary	119.1	130.6	-0.6	-
Managed Growth	146.2	160.8	-0.6	-
Managed Opportunity	141.4	155.8	-0.5	-
NFMC Target Mngd Pen	1516	1647.9	-1.1	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	162.8	171.4	.....	-
UK Equity	168.4	177.3	-1.5	-
Overseas Equity	143.0	150.6	+3.0	-
Fixed Interest	142.0	149.5	-0.1	-
Property	128.3	135.1	-1.9	-
Index Linked	146.9	154.7	-0.5	-
Deposit	157.1	165.4	+0.3	-
With Profits (B)	128.9	135.8	+0.3	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	352.8	371.4	-1.8	-
UK Equity	439.5	462.7	-2.4	-
Overseas Eq	356.5	375.3	-2.0	-
Americas	295.7	311.3	-1.9	-
Far East	383.6	403.8	-4.6	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 [illegible]

	Bid Price	Offer Price	+ or -
Initial Equity	151.5	160.0	-0.5
Accum Equity	216.5	228.5	-0.5
Accum Managed	226.5	239.0	-0.3
Accum Five Star	175.5	185.0	.....
Accum World	126.5	133.5	.....
Accum Lifetime	109.6	109.6	-0.1
Pens Acc Equity	234.8	247.8	-1.0
Pens Acc Managed	284.8	299.0	-0.5
Pens Acc Intl	219.5	232.0	+1.0
Pens Acc Deposit	199.8	210.0	.....
Pens Acc Five Star	191.5	202.5	+0.5

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 [illegible]

	Bid Price	Offer Price	+ or -
UK Equity Acc	224.4	236.8	-1.7
UK Fixed Int Acc	172.4	181.9	.....
Intl Equities Acc	183.2	193.3	-1.3
UK Managed Acc	174.8	183.5	-0.7
Property Acc	224.3	236.7	.....
Money Acc	129.4	136.5	+0.1
Special Market Acc	142.9	150.8	-0.2
Japan Equity Acc	107.4	113.3	-2.2
North American Acc	113.4	119.7	-0.9
Pacific Acc	99.7	105.2	-0.7
Technology Acc	125.1	132.0	.....
Nat Resources Acc	63.2	66.7	+0.3
European Acc	104.0	109.8	-0.5
Residential Prop Acc	96.2	101.5	.....
Swiss Equities Acc	35.9	37.9	+0.1
Hong Kong Acc	67.1	70.8	-0.1
US High Inc Eq Acc	72.7	76.7	-0.4
Int Fixed Interest Acc	57.2	60.4	+0.1
Int Managed Acc	58.0	61.1	-0.2
HSF Managed Acc	118.3	124.7	+0.2
HIP Managed H Acc	100.8	106.3	-0.3
HIP Managed OI Acc	107.4	113.2	-0.5
Total Investment Bond			
US Equity Initial		152.9	-1.0
UK Fixed Int Initial		117.6	.....
Intl Equities Initial		124.0	-0.9
UK Managed Initial		118.7	-0.4
Property Initial		154.1	.....
Money Initial		88.6	.....
Special Market Initial		111.2	-0.1

[illegible]

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

[illegible]

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IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

GUERNSEY

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Profit-taking weakens dollar

THE US dollar weakened yesterday on profit-taking after earlier having hit a 19-month high in Tokyo against the Deutschemark. Sterling was steady, while the D-Mark and yen benefited from the dollar's weakness.

In the Far East, it looked as if the buying which had carried the US currency to new highs for the year during the previous session would continue. At one point, the dollar touched DM1.8235, the highest level since December 1989.

In Europe, the dollar traded at around the DM1.81 level in anticipation of the latest US trade figures. However, growing talk about a Group of Seven finance ministers meeting, subsequently confirmed for London this weekend, began to undermine the US currency.

The US April merchandise trade deficit widened to $4.78bn from $4.07bn in March and expectations of $4.1bn; indeed there had been some speculation that the deficit could narrow to $2bn.

The dollar dipped on the trade news, although some comfort was drawn from the detailed figures on imports and exports, which some analysts interpreted as indicating that a recovery may be under way in the US economy.

However, it was the confirmation by the UK Treasury that the G-7 finance ministers would indeed meet in London this weekend which hit the dollar the hardest and caused a wave of profit-taking.

Many economists believe that until the latest phase of the dollar's rally, finance ministers were content with the level of the US currency. However, its renewed strength has put a question mark over further reductions in Japanese interest rates and raised the possibility of an increase in German rates.

With the US economy showing signs of recovery, a reduction in American interest rates as a way of slowing the dollar's advance is also unlikely, say most economists. That leaves currency market intervention by central banks to control the dollar's level.

But the last two bouts of intervention has done little to stop the dollar rising, and dealers believe the central banks may want to use the G-7 meeting to agree a new intervention policy.

The dollar closed lower at DM1.7900 from DM1.8135; at SFr1.5385 from SFr5615; at Y140.05 from Y140.80; and at FFr6.0900 from FFr6.1600. The dollar's index closed at 68.0, down 0.5.

Sterling was steady as the Bank of England kept money market rates firm in its daily operations. The growing belief that there may not be an early cut in interest rates has also provided support.

Sterling closed lower at DM2.9200 from DM2.9250; at SFr2.5100 from SFr2.5175; but rose to $1.6325 from $1.6125; to FFr9.9400 from FFr9.9325; and to Y228.50 from Y227.00. Sterling's index finished up 0.3 at 89.6.

The mark recovered as the dollar fell back, with the yen also benefiting.

£ IN NEW YORK

Jun 19	Latest	Previous Close
£ Spot	1.6355-1.6365	1.6085-1.6095
1 month	0.75-0.74pm	0.79-0.77pm
3 months	2.05-2.02pm	2.03-2.00pm
12 months	5.68-5.58pm	5.75-5.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jun 19	Previous
8.30 am	[illegible]	89.4
9.00 am	[illegible]	89.3
10.00 am	[illegible]	89.1
11.00 am	[illegible]	89.1
Noon	[illegible]	89.2
1.00 pm	[illegible]	89.3
2.00 pm	[illegible]	89.3
3.00 pm	[illegible]	89.4
4.00 pm	[illegible]	89.3

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.033	−3.44	4.72	60
Italian Lira	1538.24	1527.21	−0.72	1.85	39
Belgian Franc	42.4032	42.2077	−0.46	1.59	26
Dutch Guilder	2.31643	2.31010	−0.27	1.39	17
D-Mark	2.05586	2.05085	−0.24	1.36	21
Irish Punt	0.767417	0.766796	−0.08	1.20	7
Sterling	8.696904	8.702077	8.74	0.37	−13
Danish Krone	7.84195	7.91360	0.91	0.20	−38
French Franc	6.89509	6.97212	1.12	0.00	−57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6120 - 1.6340	1.6320 - 1.6330	0.75-0.73cpm	5.44	2.06-2.03pm	5.01
Canada	1.8400 - 1.8675	1.8660 - 1.8670	0.47-0.40cpm	2.80	1.22-1.12pm	2.51
Netherlands	3.2850 - 3.2975	3.2850 - 3.2950	⅝-½cpm	2.05	1⅝-1½pm	1.82
Belgium	59.00 - 60.40	60.25 - 60.35	15-11cpm	2.59	34-28pm	2.06
Denmark	11.2500 - 11.2825	11.2650 - 11.2750	2¼-1⅝orepm	2.06	5⅜-4⅞pm	1.69
Ireland	1.0900 - 1.0955	1.0930 - 1.0940	0.15-0.10cpm	1.37	0.35-0.25pm	1.10
Germany	2.9175 - 2.9250	2.9175 - 2.9225	⅝-½pfpm	2.57	1⅝-1½pm	2.05
Portugal	255.75 - 257.25	255.80 - 256.80	58-92cdis	−3.51	134-201dis	−2.61
Spain	183.25 - 185.00	184.55 - 184.85	8-11cdis	−0.62	26-34dis	−0.65
Italy	2171.25 - 2179.75	2177.75 - 2178.75	1dis-1lirepm	-	1dis-1pm	-
Norway	11.4150 - 11.4500	11.4300 - 11.4400	1-⅜orepm	0.72	2⅞-1⅞pm	0.83
France	9.9175 - 9.9550	9.9350 - 9.9450	1⅜-1⅛cpm	1.51	3⅛-2⅞pm	1.18
Sweden	10.5475 - 10.5750	10.5625 - 10.5725	1⅛-⅜orepm	3.06	2-1⅛pm	0.62
Japan	226.75 - 229.00	228.00 - 229.00	⅞-⅝ypm	3.61	2-1⅞pm	3.39
Austria	20.50 - 20.64	20.61 - 20.64	5-4gropm	2.62	11⅛-9⅞pm	2.00
Switzerland	2.5050 - 2.5175	2.5050 - 2.5150	⅞-⅝cpm	3.29	2-1⅞pm	2.99
Ecu	1.4195 - 1.4290	1.4275 - 1.4285	0.20-0.15cpm	1.47	0.46-0.35pm	1.13

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.53-3.48cpm. 12 Month 5.69-5.59cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6120 - 1.6340	1.6320 - 1.6330	0.75-0.73cpm	5.44	2.06-2.03pm	5.01
Ireland†	1.4730 - 1.4900	1.4890 - 1.4900	0.54-0.49cpm	4.15	1.50-1.40pm	3.89
Canada	1.1420 - 1.1440	1.1420 - 1.1430	0.25-0.28cdis	−2.78	0.70-0.75dis	−2.54
Netherlands	2.0125 - 2.0475	2.0160 - 2.0170	0.56-0.59cdis	−3.42	1.65-1.70dis	−3.32
Belgium	36.90 - 37.40	36.00 - 37.00	9.00-11.00cdis	−3.25	26.00-32.00dis	−3.14
Denmark	6.9150 - 7.0100	6.9025 - 6.9075	1.90-2.20oredis	−3.56	5.50-6.20dis	−3.39
Germany	1.7870 - 1.8195	1.7895 - 1.7905	0.45-0.46pfdis	−3.05	1.36-1.38dis	−3.06
Portugal	157.25 - 159.25	157.35 - 157.45	105-125cdis	−8.77	290-330dis	−7.88
Spain	112.80 - 114.10	113.00 - 113.10	57-61cdis	−6.26	162-169dis	−5.86
Italy	1334.75 - 1351.75	1334.50 - 1335.00	5.60-6.10liredis	−5.26	17.00-18.00dis	−5.24
Norway	7.0125 - 7.1125	7.0050 - 7.0100	2.50-2.80oredis	−4.54	7.05-7.65dis	−4.20
France	6.0800 - 6.1750	6.0875 - 6.0925	1.99-2.04cdis	−3.97	5.73-5.83dis	−3.80
Sweden	6.4625 - 6.5725	6.4725 - 6.4775	2.30-2.55oredis	−4.49	7.10-7.60dis	−4.54
Japan	139.75 - 141.10	140.00 - 140.10	0.22-0.24ydis	−1.97	0.60-0.62dis	−1.74
Austria	12.5900 - 12.7950	12.5900 - 12.5950	2.00-4.50grodis	−3.10	7.50-12.50dis	−3.18
Switzerland	1.5350 - 1.5650	1.5380 - 1.5390	0.28-0.31cdis	−2.30	0.77-0.81dis	−2.05
Ecu	1.1295 - 1.1470	1.1455 - 1.1465	0.39-0.37cpm	3.98	1.14-1.08pm	3.87

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 7⅞-7¾ per cent; three years 8⅛-7⅞ per cent; four years 8⅜-8¼ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jun 19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.632	2.920	228.5	9.940	2.510	3.290	2178	1.866	60.30	1.428
$	0.613	1	1.789	140.0	6.091	1.538	2.016	1335	1.143	36.95	0.875
DM	0.342	0.559	1	78.25	3.404	0.860	1.127	745.9	0.639	20.65	0.489
YEN	4.376	7.142	12.78	1000.	43.50	10.98	14.40	9532	8.166	263.9	6.249
F Fr.	1.006	1.642	2.938	229.9	10.	2.525	3.310	2191	1.877	60.66	1.437
S Fr.	0.398	0.650	1.163	91.04	3.960	1	1.311	867.7	0.743	24.02	0.569
H Fl.	0.304	0.496	0.888	69.45	3.021	0.763	1	662.0	0.567	18.33	0.434
Lira	0.459	0.749	1.341	104.9	4.564	1.152	1.511	1000.	0.857	27.69	0.656
C$	0.536	0.875	1.565	122.5	5.327	1.345	1.763	1167	1	32.32	0.765
B Fr.	1.658	2.706	4.842	378.9	16.48	4.163	5.456	3612	3.095	100.	2.368
ECU	0.700	1.143	2.045	160.0	6.961	1.758	2.304	1525	1.307	42.23	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls Sept.	Calls Dec.	Calls Mar.	Puts Sept.	Puts Dec.	Puts Mar.
102	-	-	-	0.27	-	-
103	-	-	-	0.48	0.87	-
104	1.30	-	-	0.81	-	-
105	0.78	1.20	-	1.30	1.71	-
106	0.42	-	-	1.91	-	-
107	0.21	0.52	-	2.66	-	-
108	0.09	-	-	-	-	-
Open int.	125,982	22,084	1,800	113,257	17,006	9,700

Estimated volume 56,059 Total Open Interest 289,829

BASE LENDING RATES

	%		%		%
ABN Bank	11.5	Comm. Bk. of London Plc	11.5	McDonnell Douglas Bnk.	11.5
Adam & Company	11.5	Co-operative Bank	11.5	Midland Bank	11.5
Allied Trust Bank	11.5	Coutts & Co	11.5	Mount Banking	11.5
AIB Bank	11.5	Cyprus Popular Bk	11.5	NatWestminster	11.5
● Henry Ansbacher	11.5	Dunbar Bank PLC	11.5	Northern Bank Ltd	11.5
B & C Merchant Bank	11.5	Duncan Lawrie	11.5	Nykredit Mortgage Bank	12
Bank of Baroda	11.5	Equatorial Bank plc	11.5	Provincial Bank PLC	14
Banco Bilbao Vizcaya	11.5	Exeter Bank Limited	12	Roxburghe Bank Ltd.	12.5
Bank Credit & Comm	11.5	Financial & Gen. Bank	12	Royal Bk of Scotland	11.5
Bank of Cyprus	11.5	First National Bank Plc.	14	● Smith & Williamson Secs.	11.5
Bank of Ireland	11.5	● Robert Fleming & Co.	11.5	Standard Chartered	11.5
Bank of India	11.5	Robert Fraser & Ptnrs.	12	TSB	11.5
Bank of Scotland	11.5	Girobank	11.5	Unibank plc	11.5
Banque Belge Ltd	12	● Guinness Mahon	11.5	● United Bk of Kuwait	11.5
Barclays Bank	11.5	● Hambros Bank	11.5	Unity Trust Bank Plc	11.5
Benchmark Bank	11.5	Hampshire Trust Plc	13.5	Western Trust	11.5
Brit Bk of Mid East	11.5	Heritable & Gen Inv Bnk.	11.5	Westpac Bank Corp.	11.5
● Brown Shipley	11.5	● Hill Samuel	11.5	Whiteaway Laidlaw	11.5
CL Bank Nederland	11.5	C. Hoare & Co.	11.5	Yorkshire Bank	11.5
Citibank NA	11.5	Hongkong & Shanghai	11.5		
City Merchants Bank	11.5	● Leopold Joseph & Sons	11.5		
Clydesdale Bank	11.5	Lloyds Bank	11.5		
		Meghraj Bank Ltd	11.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

London rates steady

THE LONDON money market was steady yesterday as the Bank of England continued to underpin rates in its day-to-day credit operations. Sterling's stability within the Exchange Rate Mechanism also provided support.

For the third day running, the Bank of England left the money market short of liquidity, forcing up overnight money rates by one point to 13 per cent.

The Bank estimated that the market would be £800m short but supplied only £614m of assistance in Treasury bill purchases. The shortfall of £186m was almost double that of the previous days and underlined the Bank's commitment to maintaining the current rate structure. A large shortage of around £1.9bn is expected today and the Bank's operations will be watched for further clues on interest rate policy.

The money market is still divided on the timing of the next cut in domestic interest rates. Many expect a ½ point cut to 11 per cent some time over the next week. The government's standing in opinion polls and the depth of the recession would justify an early reduction.

Other market observers think there will be no change in monetary policy before the middle of next month. Sterling's recent weakness within the ERM will make the government reluctant to risk any further decline in the pound.

Three months money yesterday was unchanged at 11⁵⁄₁₆-¼ per cent, while one year was at 10¹³⁄₁₆-¹¹⁄₁₆ against 10¹⁵⁄₁₆-⅞. The futures market was boosted by sterling's steadier tone. September short sterling was up 4 points at 89.49.

In Frankfurt call money was steady at 8.75 per cent after the Bundesbank drained DM3.7bn in its tender for securities repurchase funds. The Bank's day-to-day liquidity levels were sufficiently high to prevent money market rates hardening, although dealers noted that slightly longer-dated rates were edging upwards.

Bank reserve holdings rose to DM76.9bn marks on Monday, from DM75.9bn on Friday to average DM74.6bn for the first 17 days of June. This remains above the likely June reserve requirement of between DM71.5bn and DM72bn.

In New York the Federal Reserve added liquidity to the banking system with $2.5bn in customer repurchase agreements. Federal funds were unchanged at 5¾ per cent.

UK clearing bank base lending rate 11.5 per cent from May 24, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Jun 19) 3 months US dollars		6 months US Dollars	
bid 6¼	offer 6⅜	bid 6⅜	offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime

Prime rate	8½
Broker loan rate	7¾
Fed funds	5¾
Fed funds at intervention	-

Treasury Bills and Bonds

One month	5.45	Three year	7.41
Two month	5.75	Four year	7.60
Three month	5.76	Five year	7.95
Six month	6.04	Seven year	8.19
One year	6.35	10-year	8.33
Two year	6.96	30-year	8.52

Jun 19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.70-8.80	8.75-8.90	8.80-8.95	8.85-9.00	8.95-9.10	9.00
Paris	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9.25
Zurich	7⅝-7⅞	7⅞-8⅛	-	7⅞-8⅛	-	-
Amsterdam	9.06-9.19	9.05-9.15	-	9.10-9.18	-	-
Tokyo	7⅞-8	7⅞-7⅞	-	7⅞-7¾	-	-
Milan	10¾-10¾	11⅛-11½	-	11½-11⅞	-	-
Brussels	8¾-8⅞	8⅞-9⅛	-	9⅛-9¼	-	-
Dublin	10½-10⅝	10¼-10⅜	10⅛-10⅜	10⅛-10⅛	10⅛-10⅛	-

LONDON MONEY RATES

Jun 19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13	11¾	11½	11⅜	11⅛	10⅞
Interbank Bid	11¼	11⅝	11½	11¼	10⅞	10⅞
Sterling CDs	-	-	11½	11¼	10⅞	10⅞
Local Authority Deps.	11½	11½	11½	11¼	11	10⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	11½	11⅝	11⅜	10¾	-	-
Company Deposits	-	-	11⅜	11⅜	11⅛	10¾
Finance House Deposits	-	-	11⅝	11⅝	11⅛	10⅞
Treasury Bills (Buy)	-	-	11⅛	10¾	10⅞	-
Bank Bills (Buy)	-	-	11⅜	10⅞	10⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	6.03	6.10	6.33	6.85
SDR Linked Dep. Offer	-	-	7⅞	7¾	7¾	7⅞
SDR Linked Dep. Bid	-	-	7⅝	7⅝	7⅝	7⅞
ECU Linked Dep. Offer	-	-	9⅞	10	10⅛	10
ECU Linked Dep. Bid	-	-	9⅞	9¾	9⅞	9¾

Treasury Bills (sell): one-month 11 per cent; three months 10¹³⁄₁₆ per cent; six months 10⁹⁄₁₆ per cent. Bank Bills (sell): one-month 11⅜ per cent; three months 10¹³⁄₁₆ per cent; Treasury Bills; Average tender rate of discount 10.7125 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1991. Agreed rates for period June 26, 1991 to July 23, 1991, Scheme I: 12.73 p.c., Schemes II & III 12.87 p.c. Reference rate for period May 1, 1991 to May 31, 1991, Scheme IV&V. 11.587 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 from June 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 10½ per cent; three-six months 10 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 0 per cent from May 28, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

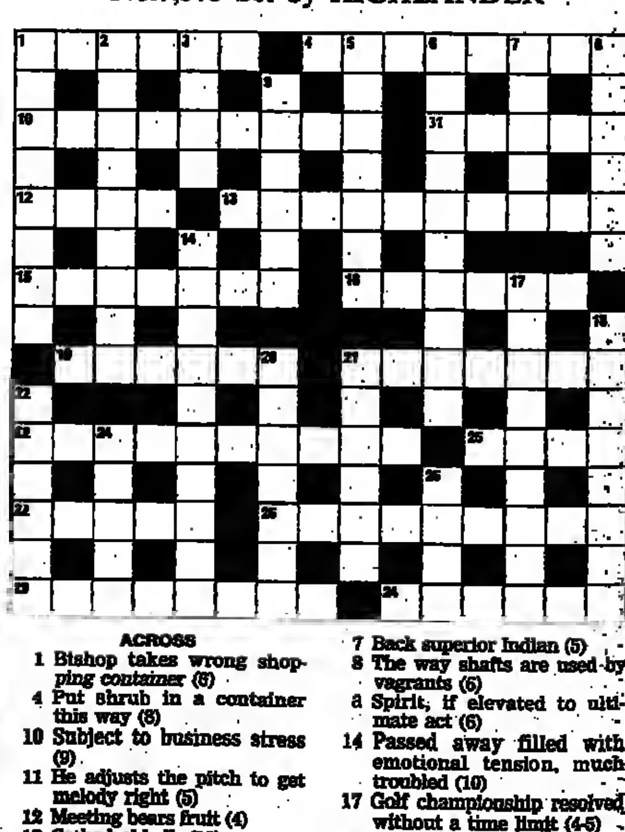
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,573 Set by HIGHLANDER



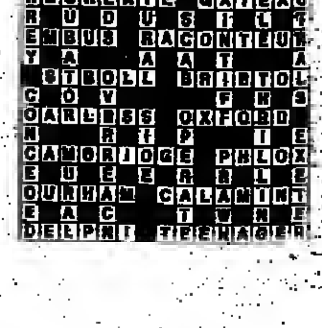
ACROSS

1 Bishop takes wrong shopping container (8)
4 Put shrub in a container this way (8)
10 Subject to business stress (9)
11 He adjusts the pitch to get melody right (5)
12 Meeting bears fruit (4)
13 Cathedral bells (10)
15 Sell for resale: one needs distribution (7)
16 Consecrate the lot – how about that? (6)
19 Do brief outline for comedy routine (6)
21 A shattered tree covering American's grave (7)
23 Not said to be a problem if garlic is added first (5,5)
25 Kiss on cheek? (4)
27 King has advantages – it makes tricks (5)
28 Bird bit hog's back (9)
29 Local team goes into the breach (8)
30 Dealt in hand tools (6)

DOWN

1 Jump over a railway barrier (8)
2 Divert lines under the surface (9)
3 Attention given to Liberal peer (4)
5 Fast creature: sounds like a rogue (7)
6 Zoologist goes into wild first (10)
7 Back superior Indian (5)
8 The way shafts are used by vagrants (6)
9 Spirit, if elevated to ultimate act (6)
14 Passed away filled with emotional tension, much troubled (10)
17 Golf championship resolved without a time limit (4-5)
18 Dislocated knee was son's Achilles heel (8)
20 Bend locks with surgeon's metal rod (7)
21 Agree with current line (4)
22 He makes cuts, gets runs and records them (6)
24 A haven: nothing is as content (5)
26 Supporter in front row (4)

Solution to Puzzle No.7,572



WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices June 19

Quotations in cents unless marked $

INDICES

NEW YORK

DOW JONES

STANDARD AND POOR'S

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA

TORONTO

TOKYO - Most Active Stocks

Wednesday 19 June 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	15.0m	396	-21	Mitsubishi Heavy	5.0m	700	-20
Hokuetsu Paper	7.9m	823	-67	Sumitomo Metal	4.7m	407	-27
Hitachi	6.6m	1,080	-40	NKK	4.4m	380	-5
Japan Steel Wks	6.3m	761	-84	Kurabo Ind	3.8m	581	-44
Hitachi Zosen	5.1m	636	-25	Kawasaki Steel	3.8m	397	+1

3:15 pm prices June 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	9¼	AAR Corp	0.48	0.02	14	215	15¾	15	15¼	-½
10¾	14½	A L Labs A x	0.16	0.21	10	13	16⅞	16⅝	16⅝	-⅛
65½	40⅞	AMP Inc	1.44	0.03	16	1282	63¼	61	62	+⅝
80⅝	44¼	AMR				195648	63¼	63¼	63	-1¼
2⅝	1¼	ARX			1	11	1⅝	1⅜	1¼	
51¼	41½	ASA	3.50	0.07	14	764	50⅞	49¼	50¾	+⅝
54	30¼	Abbott Lab	1.65	0.02	21	4645	49¾	49¼	49¾	-¼
14½	9⅞	Abitibi Pr	0.50	0.04	25	21	13⅞	13½	13½	-⅛
11⅝	10⅝	ACM Gvt In x	1.20	0.12		444	10⅞	10½	10½	-¼
9¼	0¾	ACM GvOpp x	1.01	0.11		74	8¼	8	8¼	+⅛
8¼	8¼	ACM Gvt Sp	1.21	0.11		182	8	3⅞	3⅞	-⅛
11	8⅞	ACM Gvt Se	1.28	0.13		801	16¼	18	10¼	+⅛
8⅝	7⅞	ACM Man x	1.01	0.13		161	8⅛	8	8	-⅛
12⅞	11½	ACM Managd x	1.37	0.11		167	12	11⅞	12	-⅛
7½	4⅜	Acme Cleve	0.48	0.06	15	42	6⅝	6⅞	6½	
0	3½	Acme Elect			48	10	4⅞	4⅜	4⅞	
48	22¼	Acuson			23	761	21⅞	31⅛	31⅝	-⅜
18½	14¼	Adams Expr	0.73	0.04	0	37	17⅞	17¼	17¼	-⅛
20⅛	18⅞	Adobe12Pf	2.40	0.12		15	18⅝	19⅝	18⅛	-⅛
8¼	7	Adobe Res			22	62	7½	7½	7½	
38¾	16	Ad Micro				227	35⅜	34	24¾	-⅜
14¼	4⅞	Ad Micro P	3.00	0.25	13	4456	12⅛	11¼	11⅞	-⅛
5¼	3¼	Advest Grp	0.16	0.04	5	28	4½	4¾	4⅝	
48⅛	33⅞	Aetna L	2.76	0.07		71590	40⅝	40⅛	40½	-⅛
10⅝	6⅝	Affil A	0.24	0.03	30	429	8⅝	8¾	8⅞	
30¼	12	Ahmanson	0.88	0.06	10	733	18½	18⅛	10⅛	-¼
18⅞	2¾	Aileen Inc			13	251	16¾	9⅞	10⅛	+⅛
74⅛	51⅞	Air Pr Chm			16	770	69⅛	68¼	68⅝	+¼
25⅞	10¼	Airbne Frt	0.30	0.01	15	191	26¼	25⅛	25⅛	-⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
60⅛	35¼	Xerox	3.00	0.60		81166	53¾	53⅛	53⅜	−⅛
61	43¼	Xerox4.125				z100	48	48	48	
21¼	14⅛	Xtra 1.94				108	20⅜	28	20	
24⅜	14¼	Xtra Corp	0.72	0.05	28	51	23⅝	23½	23⅝	−⅛
24¼	21¾	Yankee Egy	1.60	0.07	12	872	23⅛	28	28	−¼
1⅛	⅞	Zapata			5	56	⅞	⅞	⅞	
6⅝	6⅛	ZenithElec			2	837	7⅛	6⅞	7	−⅛
18½	12	Zenith Nat	1.00	0.60	73	4	17¾	17½	17¾	+⅛
6⅛	4½	Zenix Inc x	0.99	0.17		168	5⅝	3⅞	5⅝	
16⅝	16⅞	Zero Corp	0.48	0.05	14	206	13½	13⅜	13½	+⅛
41⅞	28½	Zurn Ind x	0.88	0.02	14	280	36⅝	36⅛	36¼	−⅛
13½	18¾	Zweig Fund	1.19	0.09		116	12⅞	15¾	18⅞	+⅛
18	8½	Zweig Tot x	0.05	0.16		403	9⅞	9¼	9⅞	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices June 19

NASDAQ NATIONAL MARKET

3:00 pm prices June 19

FINANCIAL TIMES Thursday June 20 1991

AMERICA

Corporate news reports feature in Dow decline

Wall Street

US equities were battered by depressing corporate reports yesterday morning and by a 2.8 per cent drop in the Nikkei index in Tokyo, *writes Karen Zagor in New York.*

At 2 pm the Dow Jones Industrial Average was 29.97 lower at 2,956.84 on thin volume. The erosion in equities was broadly based, with the Standard & Poor's 500 sliding 3.10 to 375.48 at 1 pm and the NYSE Composite falling 1.74 to 205.89. On the big board, declines led advances by 1,100 to 350.

Wall Street opened weak and continued to move lower throughout the morning amid concern about corporate earnings.

Columbia Gas plummeted by $15⅝ to $19½ after a delayed opening. The company announced huge losses on gas contracts.

Eljer Industries plunged $5½ to $17⅞. On Tuesday, the Texas-based manufacturer of plumbing and ventilation equipment said that it had delayed consideration of a $20-s-share takeover offer from Jacuzzi, the whirlpool bath maker owned by Britain's Hanson group.

International Rectifier tumbled $5 to $17½ after Kidder Peabody downgraded its rating and slashed its earnings estimates for the company, which makes power semiconductor products.

Union Corp slid $2⅜ to $19⅞ after the company said that officers of its capital credit subsidiary have admitted giving false revenue and income figures for the first nine months of the two recent fiscal years.

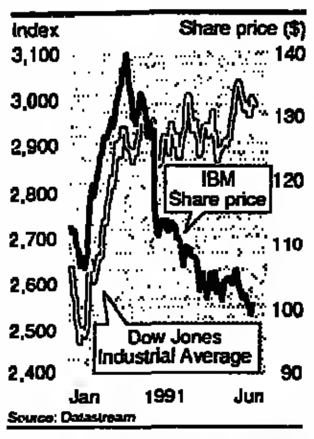
Procter and Gamble eased $1⅛ to $81⅞ after Merrill Lynch narrowed its earnings estimates to $4.90 a share in the 1991 fiscal year from a range of $4.90 to $4.95. In 1990, the company had earnings of $4.49 a share.

Blue-chips were actively traded yesterday morning including PepsiCo, off $⅜ to $30, and Philip Morris, down $⅛ to $65⅛.

IBM, which Tuesday announced an investment of up to $100m in Wang Laboratories as part of a new venture between the two companies, was unchanged at $100⅞ in heavy trading. In the secondary market, Wang's class B issues were unchanged at $4⅝ in active trading. Wang expects to take a significant charge against its earnings for the year ended June 30 as a result of restructuring related to the IBM deal.

Secondary issues fell in tandem with primary issues yesterday morning. At midsession, the Nasdaq composite was down 5.45 to 486.14. Microsoft dropped $6⅞ to $104⅝ on reports that its chairman, Mr William Gates, believes the company is being threatened by growing competition.

Many over-the-counter benchmark stocks moved lower yesterday morning including Apple Computer, down $⅞ to $41⅞, and Amgen, off $1⅞ to $115⅛.



Source: Datastream

IBM, no longer the bellwether of the US equity market, showed a drop of 29 per cent from this year's high as it slid below $100, to $99⅛ on Monday. On the same day, the Dow was only 1.4 per cent down from its 1991 peak. Asked which stocks made up for IBM's weakness, a dealer said: "Nearly all of them". This year, the computer giant is the odd man out.

Canada

TORONTO midday stocks fell in the wake of sharp losses on world markets. The composite index lost 30.1 to the day's low of 3,519.8. Declines led advances by 285 to 149 on volume of 11.1m shares.

Among active shares, Oshawa Group class A shares were flat at C$29, Laidlaw class B shares eased C$¼ to C$12¼, Nova Corp slipped C$⅛ to C$8⅞ and BCE Inc dropped C$⅞ to C$41⅞.

Among the day's largest losers, Intera Information fell C$⅞ to C$12⅞.

SOUTH AFRICA

INDUSTRIALS continued their record-breaking advance amid a lack of scrip. Gold shares ended mixed. The industrial index rose to a new high of 3,841, up 55, while the all-gold index fell 3 to 1,368. The all-share index added 29 to 3,341.

ASIA PACIFIC

Nikkei falls 2.8 per cent to breach 24,000

Tokyo

TUESDAY's strong GNP figures were followed yesterday by reports of an official lack of sympathy for stock market weakness. This was taken as confirmation that the central bank would not lower interest rates, and the Nikkei average dropped 2.8 per cent to breach the 24,000 support level, *writes Emiko Terazono in Tokyo.*

After rumours that Mr Yasushi Mieno, the Bank of Japan governor, had commented that the central bank would continue to focus on economic conditions and was not overly concerned about the state of the equity market, the Nikkei plunged 686.72 to 23,996.75, the lowest level since February 8. It opened at the day's high of 24,657.46, and fell to a low of 23,894.96 just before the close on selling by individuals and index selling by investment trusts.

Volume, at 320m shares, remained low. Traders noted attempts to support share prices at the 24,000 level, but leading institutional investors remained absent.

Declines finally overwhelmed gains by 955 to 61, with 90 issues unchanged. The Topix index of all first section stocks lost 42.59 to 1,865.59, and in London the ISE/Nikkei 50 index receded 3.48 to 1,378.88.

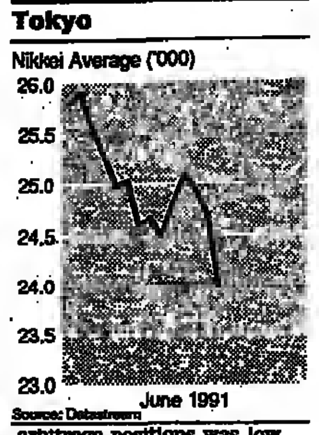
Reports that long-term credit banks were considering raising long-term prime rates by 0.2 percentage points to 7.9 per cent also discouraged investors. Mr Peter Johnson at Baring Securities said there was a slight element of panicky trading, but added: "Rather than a sudden sell-off, prices eroded gradually."

Rumours that the Bank of Japan governor had commented at a press conference that the central bank would not be worried about the weakness in share prices until the Nikkei average fell below the 20,000 mark prompted selling in the afternoon.

Mr Ron Napier, managing director at Salomon Brothers International, said hopes of a discount rate cut had completely faded for the average investor. But he added that the 23,000 level will be an important resistance point and would be hard to penetrate.

Renewed concern over arbitrage positions also depressed sentiment. The Tokyo Stock Exchange announced that arbitrage positions held against September futures contracts as of June 14 totalled 899.2m shares. Traders said that because component stocks of the Nikkei index are expected to be replaced in October, the likelihood of a roll-over of arbitrage positions was low.

Tokyo



Source: Datastream

Interest rate-sensitive large-capital stocks lost ground. Nippon Steel, the day's most active issue, slid Y21 to Y396, falling below an important support level of Y400. Mitsubishi Heavy Industries retreated Y20 to Y700 and Sumitomo Metal Industries Y27 to Y407.

Securities houses were sold on weak consolidated earnings for the year to March 1991. Nomura Securities fell Y80 to Y1,910 on a 54.3 per cent decline in pre-tax profits. Daiwa Securities lost Y60 to Y1,210 and Nikko Y50 to Y950.

In Osaka, the OSE average ended 586.65 down at 27,193.17 on 22.4m shares traded. Index selling depressed prices; Nintendo, the video game maker, dropped Y400 to Y13,480 and Shimano, the bicycle manufacturer, Y200 to Y3,060.

Roundup

TOKYO'S weakness depressed most Pacific Rim markets.

AUSTRALIA focused on speculation that Mr Kerry Packer has been trying to sell around 115m shares, or 20 per cent, of Australian National Industries (ANI), an engineering group, for the past two days. No large-scale activity was detected in the stock on Tuesday, or yesterday when ANI slipped 4 cents to A$2.06. The All Ordinaries index shed 4.0 to 1,519.1 in volume of A$179m, against A$217m.

NEW ZEALAND failed to gather any strong direction as recent and planned cash calls still hung over the market. The Barclays index firmed 1.0 to 1,448. Volume expanded to NZ$15.2m from NZ$6.9m. Magnum Corp, the retail and liquor group, put on 8 cents to NZ$2.63 on unusually heavy volume of 560,000 shares.

HONG KONG returned from its four-day holiday and followed Tokyo lower. The Hang Seng index declined 13.02 to 3,626.13 and volume remained thin at HK$769m, after HK$698m. Property shares bore the brunt of the day's fall, followed by banks. Against the trend, Swire Pacific "A" improved 20 cents to HK$19.80 and Jardine Matheson Holdings 75 cents to HK$34.50.

Giordano Holdings, a garments group, finished its maiden session down 23 cents at 95 cents.

SEOUL fell for the fourth consecutive session in spite of Won5bn worth of buy orders from the Stabilisation Fund. The composite index closed at 604.27, off 2.52, after moderate volume of Won89.8bn. The market is closed today.

SINGAPORE finished down but off the day's lows. The Straits Times Industrial index lost 9.05 to 1,514.22. Volume increased to S$94.52m from S$74.01m. KUALA LUMPUR's composite index fell 2.19 to 628.04 in turnover of 35.4m shares, after 40.5m.

MANILA rallied after a two-day tumble following the eruption of the Mount Pinatubo volcano. The composite index closed up 26.49 at 1,113.36, a gain of 2.4 per cent, on volume of 168.2m pesos, down from 236.7m.

TAIWAN overcame a sharp early sell-off to end slightly higher. The weighted index inched up 5.38 to 6,029.78, after losing more than 40 points in the first 10 minutes in reaction to Tokyo's drop. Volume fell to T$42.09bn from T$55.99bn.

EUROPE

Steady deterioration in bourse sentiment

THERE WAS an ominous deterioration in sentiment on the Continent yesterday, as the drop in Tokyo affected early-closing bourses and a bleak morning on Wall Street hit prices towards the close, *writes Our Markets Staff.*

PARIS slipped below the 1,800 support level for the first time since April 30 on political and economic uncertainty. A weak bond market and news that Banque Bruxelles Lambert was closing its broking arm, Auboyneau-Labouret-Ollivier, added to the gloom. The CAC 40 index fell 32.44 or 1.8 per cent lower at 1,798.19, in moderate volume of FFr2.2bn. The account ends tomorrow.

Euro Disney fell FFr1.20 to FFr116 with a heavy 1.27m shares traded as some investors sold the stock to take up its FFr3.97bn convertible bond.

Peugeot, depressed on Tuesday by a report of poor domestic car sales so far in June, fell another FFr17 to FFr590 on news of declining sales of Peugeot and Citroen models in Portugal in the first five months of 1991.

FRANKFURT saw a fall of 0.4 per cent, or 2.61 to 707.55 in the FAZ index at midsession stretch to 0.7 per cent, or 12.39 to 1,683.03 in the DAX at the official close. However, more damage was done after hours, taking the indicated decline over the 1 per cent level.

International influences apart, the market was said to be waiting for tomorrow's expiry date for options trading and the DTB June DAX index futures contract. However, there was action in MAN, the engineer, which traded in an estimated three times its usual volume as it rose DM8.50 to DM404.50 on news of a licensing agreement on stainless steel production equipment.

FT-SE Eurotrack 100 - Jun 19

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1140.53	1140.88	1141.25	1139.57	1137.42	1136.16	1132.74	1131.81

Day's High 1141.79 Day's Low 1130.13

June 18	June 17	June 14	June 13	June 12
1148.56	1149.39	1152.21	1149.95	1152.03

Base value 1000 (26/10/90)

Turnover fell from DM7.4bn to DM6.2bn, still inflated by trading on the Bayer dividend. Bayer led the active stocks list again in turnover of DM921m, closing 70 pfg higher at DM280.40 but subsiding to DM262, down a net DM7.70, as it went ex dividend after hours.

MILAN had a weak start but found some support from banks and insurers. The Comit index fell 5.78 to 606.54 in volume estimated at below Tuesday's L205bn. Traders blamed the negative tone on fresh signs that the government was not getting the public sector finances under control.

Fiat fell L176 or 2.7 per cent to L6,324 while Olivetti fell L154 or 3.7 per cent to L4,075. After the close, Standard and Poor's lowered the US commercial paper rating of Olivetti USA to A-2 from A-1 to reflect its parent's weakening financial profile. In the insurance sector, Generali lost a marginal L340 to L35,800 while Ras slipped a small L220 to L21,650. Among banks, Mediobanca rose L15 to L16,765.

STOCKHOLM resisted the global downtrend, encouraged by this week's good company results and increased liquidity as money from Tetra Pak's SKr16bn bid for Alfa Laval flowed in. The Affärsvärlden general index rose 2.6 to 1,137.8 in light volume of SKr376m. The market is closed tomorrow for the Midsummer holiday.

AMSTERDAM was depressed by a weak bond market, a lower dollar and a weak Wall Street opening. The expiry of options tomorrow also weighed on share prices. The CBS Tendency index closed down 1.0 or 1.1 per cent at 95.2.

MADRID was unnerved by the peseta's weakness and by comments from Finance Minister Carlos Solchaga indicating that he wanted dividend increases to be limited to 5 per cent as part of his proposed pact between unions and management. The general index fell 3.63 to 279.67.

OSLO saw Den Norske Bank fall to a record low after Tuesday's news of losses in early 1991. But the overall market ended marginally higher, helped by strength in industrial stocks. The all-share index gained 0.42 to 511.82 in volume of NKr270m. DnB fell NKr5.50 to NKr56.

ISTANBUL's index fell by 138.06 to 3,479.06 for a two-day drop of 7.1 per cent.

Correction

In yesterday's edition, we wrongly attributed a profit warning from Avenir Havas Media to its parent, Havas. Havas's 1991 forecast for the whole group remains unchanged: group net profit for the current year should be at least equal to 1990.

German managers pore over special situations

Small can be lucrative, says **Katharine Campbell**

GERMANY'S smaller companies, with their unquoted brethren grinding away indispensably at the heart of the country's economic machine, have tended to be neglected by investors, especially those overseas.

As elsewhere, international investors adjusting portfolios inevitably pile into the most liquid stocks at the top of the blue chip DAX 30 – as they have in the recent wave of buying. Moreover, non-domestic investors account for a higher proportion of stock turnover in Germany than almost anywhere else; and the number of listed stocks is simultaneously tiny, given the size and importance of the economy.

However, this by no means suggests that quoted stocks outside the DAX should be ignored. Indeed, an increasing number of domestic banks are turning their attention to just this sector of smaller companies, or "special situations".

One such fund, as yet in its infancy, comes from Sal. Oppenheim, Germany's largest private bank based in Cologne. A trial portfolio run since the beginning of 1990 beat the DAX index by 30 per cent (after transaction costs) over the year – as initial eastern euphoria evaporated and foreign investors shunned the big German stocks.

Oppenheim's fund obtained regulatory approval to start in December: initially unpropitious timing this year as the "small companies effect" has been less in evidence, with the large capitalisation stocks pushing ahead.

It has left the fund now around 5 per cent below the DAX, although still theoretically 27 per cent ahead from the beginning of 1990. And the temporary setback does not invalidate the search for additional zest beyond the well-tried favourites.

A special situation is a matter of definition; investors should perhaps be warned that some funds on the market appear to think the likes of Daimler a suitable candidate. At Oppenheim, the official guideline is non-DAX names, and among the 40 or so stocks will be such internationally known companies as the builders Hochtief and Holzmann, the specialist retailer Douglas, or the haircare products manufacturer Wella.

Oppenheim, however, would claim its expertise lies in picking the smaller stocks, listed on the "geregelter Markt" (where listing requirements are simpler and cheaper) or even available in the Freiverkehr (unregulated over-the-counter).

"Some Oppenheim clients fly 12,000 miles around the world to come and visit little-known German companies," observes Mr Thomas Schmitz-Wellensiek, Oppenheim's director of sales, "but that is not the majority." Even those who reckon they have the research capability cannot necessarily get the timing right, he would argue.

Among the present Oppenheim finds, for instance, are Computer 2000, a Munich wholesaler of a range of PC accessories, flexible and not overburdened with stock, expanding fast throughout Europe and expected to benefit particularly from the single market. Now listed in the first market, it has blossomed in profits as well as sales terms, with revenue more than doubling to DM24m from DM11m in the first six months of 1990/91. But the stock, the Cologne analysts would say, is still relatively neglected by the market.

A number of current favourites are poised to benefit from east German construction opportunities: Triton Belco, making plumbing fixtures; Weru in Swabia, for window and door frames; and Glunz, specialising in timber products.

Part of the bank's trade is to be able to nurse deals – using its own brokers or through its network of other friendly private banks – through thin markets, often over a period of days in what is a particularly untransparent market because of the (still) regional nature of the stock market. Hence, in the early days, the size of holdings in the fund is subject to an upper rather than a lower limit.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JUNE 18 1991								MONDAY JUNE 17 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	140.54	+0.7	129.22	125.08	132.51	122.45	+0.1	5.33	139.50	127.18	124.33	130.40	122.38	147.30	112.74	139.20
Austria (20)	187.21	−1.3	172.13	166.62	176.51	176.06	−0.7	1.55	189.82	172.85	169.01	177.26	177.23	222.37	167.00	242.22
Belgium (49)	127.03	−1.1	118.79	113.05	119.76	117.00	−0.2	5.05	128.49	117.12	114.51	120.11	117.24	151.20	121.73	150.86
Canada (115)	141.92	+0.2	130.49	126.30	133.80	117.36	+0.1	8.31	141.66	129.13	126.25	132.41	117.25	142.27	126.49	136.75
Denmark (37)	236.03	−0.8	217.02	210.06	222.54	224.64	+0.1	1.50	237.86	216.82	212.01	222.35	224.44	270.56	217.74	261.19
Finland (16)	102.77	−0.1	94.49	91.47	96.89	92.56	+0.4	2.63	102.90	93.79	91.71	96.18	92.18	125.15	90.61	136.73
France (114)	129.44	−1.5	118.01	115.19	122.03	125.07	−0.7	3.63	131.44	116.81	117.14	122.85	125.92	152.26	121.85	157.96
Germany (65)	108.68	−2.0	99.93	96.74	102.47	102.47	−1.2	2.18	110.90	101.09	98.86	103.67	103.67	125.36	102.43	128.99
Hong Kong (55)	152.35	+0.0	140.08	135.59	143.65	151.07	+0.0	5.13	152.35	138.87	135.79	142.42	151.07	161.77	116.62	133.08
Ireland (18)	144.37	−1.7	132.74	128.49	136.12	138.01	−0.9	3.70	146.86	133.87	130.90	137.28	139.30	182.46	132.88	190.24
Italy (77)	77.92	−0.3	71.64	69.35	73.46	78.47	+0.5	2.98	78.17	71.26	69.67	73.07	78.11	88.23	72.05	109.26
Japan (474)	131.29	−0.8	120.71	116.85	123.90	118.65	−0.6	0.72	132.14	120.44	117.77	123.53	117.77	146.97	118.35	147.26
Malaysia (68)	238.22	+0.0	218.03	212.01	224.60	256.15	+0.0	2.55	238.28	217.18	212.36	222.73	256.03	247.78	192.83	225.13
Mexico (15)	1019.35	−0.3	937.22	907.24	961.07	3360.77	−0.3	1.92	1022.27	931.82	911.13	955.59	3370.40	1079.72	534.45	506.93
Netherland (31)	134.65	−0.7	123.80	119.84	126.96	125.46	+0.1	4.25	135.56	123.56	120.82	126.72	125.29	145.73	126.70	140.46
New Zealand (13)	48.54	+0.5	44.63	43.21	45.77	44.84	+0.6	7.83	48.30	44.02	43.06	45.15	44.56	54.64	41.16	65.34
Norway (32)	192.65	+0.1	177.13	171.46	181.64	184.34	+0.2	1.59	192.51	175.48	171.58	179.96	183.95	223.24	182.24	233.22
Singapore (38)	198.96	−0.7	182.93	177.08	187.58	164.30	−0.5	2.08	200.43	182.70	178.64	187.36	165.10	208.25	151.63	205.49
South Africa (61)	225.58	+0.9	207.41	200.77	212.66	185.75	+0.9	3.31	223.63	203.85	199.32	209.04	164.32	225.58	173.00	176.12
Spain (55)	148.16	−0.9	137.14	132.76	140.63	128.53	−0.4	4.16	150.55	137.23	134.18	140.73	128.99	171.12	131.51	181.01
Sweden (26)	186.67	−0.2	171.92	166.32	176.19	181.34	+0.6	2.45	187.22	170.66	166.87	175.02	180.23	204.12	146.60	215.99
Switzerland (56)	90.03	−1.0	82.78	90.14	84.90	87.16	+0.1	2.20	90.95	82.90	81.08	85.03	87.11	100.67	82.17	104.06
United Kingdom (239)	162.26	−1.2	149.18	144.40	152.97	149.16	−0.3	4.92	164.18	149.66	146.31	153.45	149.65	187.44	156.27	165.03
USA (525)	153.31	−0.4	140.96	136.45	144.55	153.31	−0.4	3.17	153.93	140.31	137.20	143.90	153.93	158.24	125.95	144.98
Europe (837)	132.92	−1.2	122.21	118.30	125.32	124.08	−0.4	3.83	134.54	122.63	119.91	125.77	124.54	151.52	125.50	148.22
Nordic (111)	179.02	−0.4	164.60	159.33	168.79	165.26	+0.3	1.94	179.75	163.84	160.21	168.02	164.71	200.81	155.55	206.74
Pacific Basin (716)	132.09	−0.6	121.45	117.57	124.54	117.91	−0.7	1.09	132.84	121.08	118.40	124.15	118.76	145.92	117.86	146.38
Euro−Pacific (1555)	132.75	−0.8	122.05	118.14	125.16	121.23	−0.6	2.18	133.84	122.00	119.28	125.11	121.93	147.66	121.29	147.52
North America (640)	152.51	−0.4	140.22	135.75	143.82	150.89	−0.4	3.17	153.08	139.54	136.45	143.12	151.47	157.04	125.91	144.39
Europe Ex. UK (598)	114.91	−1.2	105.65	102.29	108.37	109.38	−0.4	3.06	116.34	106.05	103.71	108.78	109.82	129.80	106.85	136.62
Pacific Ex. Japan (244)	139.83	+0.3	128.56	124.47	131.85	126.04	+0.0	4.66	139.47	127.13	124.33	130.39	126.03	145.66	111.40	136.12
World Ex. US (1746)	134.52	−0.7	123.68	119.73	126.83	122.34	−0.5	2.24	135.53	123.54	120.80	126.99	122.98	148.16	122.32	147.65
World Ex. UK (2032)	137.66	−0.8	126.59	122.54	129.82	130.26	−0.5	2.32	138.46	126.21	123.41	129.44	130.81	145.77	120.08	143.67
World Ex. So. Af. (2210)	139.30	−0.8	128.08	123.99	131.35	131.80	−0.5	2.56	140.20	127.79	124.97	131.06	132.46	148.65	122.92	145.37
World Ex. Japan (1797)	145.71	−0.8	133.97	129.69	137.40	140.29	−0.3	8.47	146.80	133.63	130.68	137.06	140.76	152.83	126.89	145.13
The World Index (2271)	139.85	−0.6	128.58	124.47	131.86	132.09	−0.5	2.58	140.72	128.27	125.43	131.55	132.78	149.01	123.28	145.56

Latest prices were unavailable for this edition. Hong Kong market closed June 18.